[illegible]					
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs25	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,353

Tuesday January 15 1991

D 8523A

US CAR INDUSTRY

Move over for the Japanese

Page 19

World News

Pavlov takes over as next Soviet prime minister

Valentin Pavlov, the 53-year old Soviet finance minister, was confirmed as prime minister by the Soviet parliament.

His appointment means that a technocrat, rather than a party official, now heads the government which will be very much under the direct control of President Mikhail Gorbachev. Page 6

Close to accord

The Philippines said it was close to forging an agreement with the US to extend the lease on its military bases, including the use of Clark airbase and Subic naval dockyard. The lease expires in September. Tokyo may help pay for US bases, Page 4

Albanian exodus

Albanian refugees continued to flee across the border illegally into Greece despite appeals from Constantine Mitsotakis, the Greek prime minister, to try to stem the flow. More than 7,000 have fled since last month.

Ershad misses out

Bangladesh blamed "irregularities" for scrapping all five applications filed by former president Hossain Mohammad Ershad to contest parliamentary elections. Nearly 4,000 candidates have applied to contest 300 seats.

Iliescu state visit

Romanian President Ion Iliescu arrived in China on an official visit, the first by a head of state from eastern Europe since communism began to fall there in 1989.

Rwanda warning

Rwanda said that rebels who invaded the small central African country on October 1 are preparing a big new attack from neighbouring Uganda, and called on the international community to condemn the rebel plans.

Court allows gun ban

The US Supreme Court refused to recognise a constitutional right to own machine guns. The National Rifle Association had argued that the machine gun ban violated the second amendment right "to keep and bear arms".

Afghani pardon

The Soviet-backed government in Afghanistan declared an immediate amnesty for prisoners held for up to three years to mark the fourth anniversary of a government drive for reconciliation.

SA death toll rises

Three more blacks died from injuries sustained during a weekend attack on a South African township funeral wake, bringing the death toll to 38. Education black marks, Page 4

Bougainville hope

Father John Momis, Papua New Guinea's minister for provincial affairs, said stalled peace talks aimed at ending a secessionest rebellion on the South Pacific island of Bougainville would resume in Honiara next week.

Child death probe

Brazil is investigating the alleged involvement of businessmen in financing "death squads" to assassinate children living on city streets. Page 7; Collor's inflation crusade, Page 7

Bus plunge kills 18

At least 18 people were killed and seven others missing after a bus slid down a ravine and plunged into a river near the village of Dapitan City, southern Philippines.

A year to remember

The British government has proposed in a draft parliamentary order that history stopped in 1950. All events after that year are officially "current affairs". Page 9

Business Summary

KPMG Peat Marwick to lay-off over 300 in US

KPMG Peat Marwick McLintock, world's largest accountancy firm, is planning to lay off one sixth of its 1,875 partners in the US. The move is the latest evidence of a serious recession in the US accountancy profession where two prominent firms have closed down since last November. Page 19

DEUTSCHE BANK, Germany's biggest bank and one of the west's largest lenders to Moscow, is to establish risk provisions on loans to the Soviet Union, publicly downgrading its top credit rating. Page 18

ASTRA, Swedish pharmaceutical group, suffered an unexpected blow after the US Food and Drug Administration did not approve Losec, its anti-ulcer drug, for use in the first-line treatment of all ulcers. Page 19

HONGKONG and SHANGHAI Banking Corporation has moved to take direct control of James Capel, its London-based broking subsidiary which has made heavy losses, by appointing a new executive chairman. Page 19

JP MORGAN, New York banking group, continued to buck the dismal trend in US commercial banking by reporting a 24 per cent rise in fourth quarter net income, to $191m or 96 cents a share. Page 19.

ROCHE, Swiss pharmaceuticals and chemicals group, reported a 3 per cent increase to SFr9.68bn ($7.6bn) in sales in 1990. Page 20

ELF Aquitaine, French state-controlled oil group, is hoping to buy Ertoil, Spanish petrochemical producer, to expand its downstream operations in Spain. Page 20

NCR, Ohio computer company that is the target of a $6.1bn hostile takeover bid from American Telephone & Telegraph, revealed a 24 per cent slump in net earnings for the fourth quarter of 1990 to $111m. Page 22

UNITED Saudi Commercial Bank posted a 31 per cent advance in annual net profits to SR125.8m ($33m) despite the shock of the Gulf crisis. Page 23; Bahrain's biggest bank moves operation, Page 4

CHILE has become the first Latin American country to secure a voluntary syndicated commercial bank credit since the 1982 debt crisis. Page 24

JAPAN's sales of imported cars last year rose by 22.9 per cent to a fifth consecutive record. Page 4

SENATE agriculture committee chairman, Senator Patrick Leahy, has introduced legislation to settle the long-running dispute between the Commodity Futures Trading Commission, futures regulator, and the Securities and Exchange Commission, securities regulator. Page 22

BANK OF Nova Scotia is taking advantage of Chile's improved economic outlook by buying a 24 per cent stake in Banco Sud Americano, the country's sixth biggest bank for $20.7m. Page 22

SOUTH KOREA's president, Mr Roh Tae Woo, ordered his economic ministers to reduce the country's rate of inflation, following last year's 9.4 per cent increase in consumer prices. Page 4

CENTRAL American states and Mexico have taken a tentative step towards integrating their economies by signing a framework free-trade agreement. Page 7

BRAZILIAN government has officially closed its coffers to Embraer, state-owned aircraft manufacturer, forcing the ailing group to embark an another big cost-cutting programme to remain in operation. Page 22

France launches last-minute peace initiative as Iraqi assembly endorses seizure of Kuwait

Saddam ignores UN deadline

By Ian Davidson in Paris, David Buchan in Brussels and Peter Riddell in Washington

ALL sides in the Gulf crisis yesterday braced themselves for war as tonight's United Nations deadline neared, while France signalled a last-minute peace initiative.

Mr Jack Lang, the French culture minister, said last night France was about to unveil a new proposal to the UN Security Council. The world body was due to hear a report early today from Mr Javier Pérez de Cuéllar, the UN secretary-general, on his apparently unsuccessful mission to Baghdad last week.

Iraq's ambassador to the UN, Mr Abdul Amir al-Anbari, said that Mr Roland Dumas, the French foreign minister, would probably go to Baghdad.

The much talked-of French peace initiative seemed to be emerging after European foreign ministers, meeting in Brussels, ruled out any further approach to President Saddam Hussein of Iraq.

In Baghdad, meanwhile, the Iraqi National Assembly endorsed President Saddam's decision to retain Kuwait as the country's 19th province.

In Washington, the White House said that President George Bush had not taken a final decision on whether to go to war, but warned in a sombre mood that "any moment after the 15th is borrowed time". As tension in the Gulf rose, Israeli armed forces went on to a high state of alert.

The impasse on the diplomatic front was underlined by Mr Pérez de Cuéllar, who repeated the negative message he gleaned from his talks in the Iraqi capital on Sunday with President Saddam.

EC foreign ministers later held an emergency session and decided against going ahead with proposals to send a negotiating mission to Iraq.

The EC ministers concluded that "the conditions for a new European initiative do not exist as of this moment". Their statement was a litany of the Community's failed efforts to interest President Saddam to pull out of Kuwait and seemed designed to brace European public opinion for a likely conflict in the Gulf.

This left only President François Mitterrand of France as a possible avenue of mediation. Mr Pérez de Cuéllar, after calling on President Mitterrand in Paris on his way back to New York to report to the UN Security Council, said: "I made no progress in Baghdad. I do no think that today, the 14th, at this hour, there is any longer a place for a diplomatic initiative."

Before leaving for New York, Mr Pérez de Cuéllar, briefed Mr Jacques Poos, Luxembourg foreign minister and current chairman of the European Community Council. Mr Poos said before leaving for Brussels to meet his EC colleagues: "It is five minutes to midnight. There is still a chance of peace, but it is shrinking from minute to minute."

The Luxembourg foreign minister said that during the UN chief's meeting with President Saddam on Sunday, "at no time, and in no way, was there any reference by Iraq to respecting the conditions and deadlines for restoring Kuwait's sovereignty".

The Iraqi president, at one point during this meeting, "got out a map, drew a line across Kuwait and said Iraq would stay in the main part of Kuwait", but without indicating he was in favour of partial evacuation, Mr Poos said.

The Gulf crisis dominated a lunch meeting between President Mitterrand and Mr John Major, Britain's prime minister, on a brief visit to Paris. Mr Major expressed disappointment at the failure of Mr Pérez de Cuéllar's mission.

"It is hard to see what could be offered to Baghdad that has not already been offered", Mr Major added. "We sincerely hope that there will be no need to resort to force, but time is running out for Iraq to make a clear and decisive gesture and withdraw from Kuwait."

Mr Major said his talk with President Mitterrand had confirmed a "complete identity of views" between the two governments on the necessity for Iraq to comply with the UN Security Council resolutions and withdraw from Kuwait.

Yesterday evening the French government took the necessary powers to be able to requisition civil aviation in the event of war in the Gulf.

The step, designed to ensure the availability of airline capacity for ferrying medical and other supplies out to the Gulf, as well as for the possible repatriation of casualties, had been made necessary by the cancellation of regular flights to most destinations in the Gulf region by the world's civil airlines.

Two Arab attempts at finding some diplomatic movement remained in play last night with both the Libyan and Yemeni government delegations in Baghdad. The Iraqi media, however, made no reference to negotiations, focusing instead on the decision by the National Assembly to back President Saddam.

The 250-seat assembly expressed "the preparedness of the Iraqi people to stand up to the designs of aggression led by the US."

End of the road: Pérez de Cuéllar, UN secretary-general, looking weary on arrival in Paris from Baghdad yesterday for talks with President François Mitterrand of France

ON OTHER PAGES

European shares fall, oil rises on war fear

FEAR of war gripped financial markets yesterday, sending shares sliding across Europe and driving oil prices up by $3 a barrel, write Peter Marsh and Deborah Hargreaves in London.

The bloodshed in Lithuania added to nervousness. As worries grew about the possibility of further turmoil in the Soviet Union, the Paris and Frankfurt bourses closed at their lowest levels for about two years.

Fears were expressed that tension in Lithuania could spill over to other parts of eastern Europe and harm business prospects, particularly for German industry. Reflecting this, the D-Mark weakened, allowing sterling to climb 2 pfennigs. The pound's London close of DM2.9425, its highest since November 1, was near its DM2.95 central rate in the European exchange rate mechanism.

Bourses across Europe lost ground as war fears grew. The markets in Paris, Frankfurt, Milan, Amsterdam and Madrid closed between 2.8 per cent and 3.9 per cent lower.

In London, the FT-SE index fell 25.3 to 2,080.8, and government bonds lost about 1 point. Wall Street was afflicted by the same nervous mood and the Dow Jones Industrial Average closed 17.58 down at 2,483.91.

Gold, a traditional haven for investors in times of crisis, rose $7 an ounce to $397.75.

North Sea Brent crude for delivery in February rose $3.40 a barrel to $29.30, but market volume was low amid uncertainty about the possible duration of a war.

Yeltsin challenges the Kremlin over Baltic repression

By Quentin Peel in Moscow and Leyla Boulton in Vilnius

MR BORIS Yeltsin, the popular president of the Russian federation, yesterday challenged head-on both President Mikhail Gorbachev and the Soviet military high command over the confrontation in the Baltic republics.

He denounced the military action in Lithuania, and the threat of similar violent measures in both Latvia and Estonia, and called on Russian soldiers to refuse to take part, while promising to set up his own independent Russian army.

This came as as military commanders in the Baltic appeared to be preparing a coup in Latvia identical to that in Lithuania, in conjunction with the pro-Soviet rump of the republican Communist Party. Meanwhile, the people of Lithuania began three days of mass mourning for the victims of the weekend tank assault on their television station.

The bloodshed in Vilnius prompted the White House to warn that next month's Bush-Gorbachev summit planned in Moscow was now "up in the air" and to raise the prospect of economic sanctions against the Soviet Union.

EC foreign ministers said that technical aid to the Soviet Union worth Ecus400m ($540.4m) would be suspended if the Kremlin continued to use force rather than negotiation.

Mr Gorbachev denied having issued the order for Red Army troops and tanks to attack unarmed demonstrators in Vilnius, the Lithuanian capital, and appeared to blame the confrontation on the Lithuanian leaders, not the military.

"We did not want, and do not want, this," he said.

However, although he called for a political solution, he insisted that the republic was in a state of popular confrontation between pro- and anti-Moscow factions, ignoring the overwhelming support for the Lithuanian independence movement.

He also suggested to journalists that the regular army tank force and troops who stormed the television station had quite justifiably been made available as a "guard" for the self-proclaimed National Salvation Committee (a shadowy body whose members have still not been revealed).

In contrast, Mr Yeltsin yesterday identified the military action in Lithuania as "the beginning of a mighty offensive against democracy", and warned that his own Russian federation would be the next in the firing line after the Baltics.

He disclosed that the four biggest republics in the union – Russia, the

Continued on Page 18

Occidental chief begins radical restructuring, writes off $2bn

By Martin Dickson in New York

Just five weeks after the death of Dr Armand Hammer, Occidental Petroleum's iron-willed chairman, his successor embarked yesterday on a radical restructuring of the group.

It will include a $3bn reduction of debt through asset sales and a sharp cut in the annual dividend. The moves will also mean a $2bn fourth quarter write-off.

The announcement by Mr Ray Irani, the energy group's new chairman, sharply reverses many of the policies pursued by Dr Hammer, who in 35 years built Occidental from humble beginnings into one of the top 20 corporations in the US, measured by revenue.

Dr Hammer led the company on an idiosyncratic diversification trail which took it far from its core oil and chemicals activities and loaded it down with $8bn of debt.

With a poor record of earnings growth, Occidental's share price was underpinned by its very generous dividend, which Dr Hammer refused to cut, even though in recent years it was nowhere near covered by income. Mr Irani, who was Dr Hammer's chosen successor, said the "new Oxy" now intended to focus on its expertise in oil, gas and chemicals and on a "more prudent" debt policy.

The $3bn of asset sales, together with other restructuring moves, would cut long-term borrowings by 40 per cent and give the company a debt-to-equity ratio of 45 per cent.

There would be "no sacred cows" among Occidental's operations as it weighed asset sales, which he expected to complete in two years.

Mr Irani pinpointed IBP, one of the largest beef and pork processors in the US, as a prime candidate for disposal. Occidental owns 51 per cent of the business.

He added that it might be necessary to sell assets in its core businesses to meet the debt reduction goal.

To conserve cash, Occidental is cutting its annual dividend from $2.50 a share to $1.

Mr Irani said the new target was a pay-out of 50 per cent of earnings – broadly in line with the oil industry average. The group will also cut costs and eliminate losses by selling off unprofitable businesses or quitting joint ventures.

Many of these were pet projects of Dr Hammer, including Occidental's interests in the An Tai Bao coalmine joint venture in China, which lost the company $31m last year, and the Tengiz petrochemicals project in the Soviet Union.

It will also get out of Black Angus cattle breeding, the raising of Arabian horses, hotel operations in Nigeria and Peking, film production and hybrid seed research and development.

Despite the dividend cut, Occidental's shares closed up $¾ at $17¾, helped in part by rising oil prices. Standard & Poors, the credit agency, upgraded the company's debt ratings, saying yesterday's moves represented a "major shift in financial policy and raises the potential that over the longer term credit quality may improve further."

CONTENTS

Gulf war could leave Gatt talks in indefinite limbo

If war breaks out in the Gulf, agreement on a new world trade regime will be suspended indefinitely. Even if it does not, Gatt chief Arthur Dunkel will have little hope to offer today's meeting of delegates Page 18

MARKETS

STERLING
New York
$1.9055 (1.9075)
London:
$1.905 (1.907)
DM2.9425 (2.9225)
FFr9.9775 (9.9175)
SFr2.4425 (2.44)
Y257.25 (256)
£ index 94.2 (93.7)

GOLD
New York: Comex Feb
$401.6 (393.3)
London:
$398.25 (391.15)

N SEA OIL (Argus)
Brent Feb
$28.45 (26.1)

Chief price changes yesterday: Page 19

DOLLAR
New York
DM1.54395 (1.531)
FFr5.2375 (5.1905)
SFr1.2825 (1.279)
Y135.15 (134.0)
London:
DM1.5445 (1.5325)
FFr5.2375 (5.2)
SFr1.2825 (1.2795)
Y135.0 (134.2)
$ index 62.0 (61.6)
Tokyo close: Y135.35

US closing rates
Fed Funds 6¾% (6½)
3-mo Treasury Bills: yield: 6.288% (6.32)
Long Bond: 104 3/16 (same)
yield: 8.359% (8.36)

STOCK INDICES
FT-SE 100:
2,080.8 (−25.3)
FT Ordinary:
1,627.9 (−18.1)
FT-A All-Share:
1,000.17 (−1.2%)
New York:
DJ Ind. Av.
2,483.91 (−17.58)
S&P Comp
312.49 (−2.74)
Tokyo: Nikkei
23,213.23 (−27.79)

LONDON MONEY
3-month Interbank: closing 13 11/32% (same)
Liffe long gilt future: Mar 89 3/32 (90 1/16)

هكذا من الأجل

MIDDLE EAST IN CRISIS

British MPs find ways of not voting on action

By Ivo Dawnay, Political Correspondent

AS THE British parliament prepared for today's debate on the Gulf crisis, there were suspicions yesterday among Labour opponents of a war that the government has been giving opposition leaders a helping hand through the minefield.

Disgruntled critics of the arrangements for the debate pointed out that the procedures now adopted allow party leaders to dodge the issue of voting on military intervention.

Unlike the US Congress, parliament is not being asked its opinion on that question. By using what is known as an adjournment debate procedure, the Commons is merely being asked, in effect, to approve the government's conduct of the crisis to date.

Officials close to the Labour leadership made a point last night of assuring inquirers that this decision had been taken by the government under no pressure whatever from Mr Neil Kinnock, the Labour leader.

Nonetheless, there can be little doubt that it is in Labour's interest, and, equally, that of the government, that the issue of whether Britain should go to war should not come to the vote.

Both parties are more than aware that the Gulf crisis and its outcome is bound to have some bearing on their fortunes at the general election that must be held within 18 months. Neither is in a hurry to break down what is something close to a tacit bipartisan position just yet.

For some hard-line Tories, Labour's nerves over the mounting possibility of war are signals of endemic spinelessness. But not even the most partisan opponent of the socialists can see an argument for playing party politics when British soldiers may be just 24 hours from going into action.

The search for maximum national consensus is close to the heart of the government. Last night, Mr John Major, the prime minister, was meeting church leaders to explain how the country finds itself on the brink of war and seek their support.

He has already held confidential talks with Mr Kinnock and plans to meet Mr Paddy Ashdown, leader of the centrist Liberal Democrats, and even Mr Edward Heath, the former Tory prime minister, who has consistently argued for a diplomatic solution to the crisis.

Of the Liberal Democrats, Mr Major need have no fear. Yesterday, they argued for a specific motion endorsing "whatever means are necessary to free Kuwait", to prove their support for military action and their objection to leaving the waters muddied.

For the Conservative government, however, the waters can be as muddy as necessary to keep Labour on side.

Labour's leaders, meanwhile, are determined to hold their parliamentary troops together as well as possible in difficult circumstances. The glue, applied once again by the leadership in briefings and statements yesterday, is that the party supports not the government but the United Nations.

But it was also made clear to dissenters that nothing less than full backing for the British servicemen will be demanded should conflict begin. "If, regrettably, armed conflict does occur, the British forces will have our total support," Mr Jack Cunningham, shadow leader of the House, emphasised yesterday.

Despite this, the Labour leadership's official position remains that sanctions are the best route out of the crisis. Last week, the shadow cabinet backed a symbolic motion, to be tabled but not debated, arguing that military action should not be taken "before sanctions have been in operation long enough to have the maximum impact".

There are no doubts that if the shooting starts, the party establishment will rally to the flag, arguing that the case for or against war will only be able to be judged once all the unknown factors behind the decision come to light.

That said, Labour whips are well aware of the anguish among their reluctant MPs. In the last Gulf debate in December, 128 Labour MPs voted with their leaders and the government, 42 voted against, and the remaining 51 were absent or abstained.

Taken together and discounting those who were genuinely absent on urgent business elsewhere, these latter two figures suggested that at least a third of the party differed from the leadership's carefully-honed line.

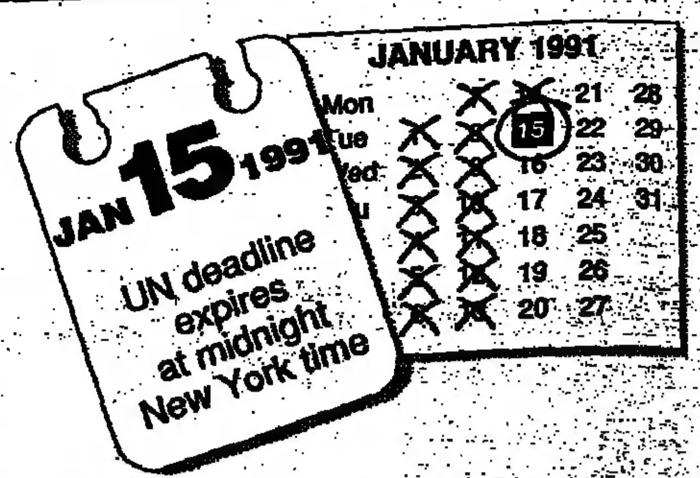
Last night, Mr Tony Benn, the left-wing leader of the dissenters, tabled a motion for the record specifically declining to back military action against Iraq.

Few believe that position will win much more than 50 or 60 votes tonight, when MPs vote on the wholly symbolic question of whether to adjourn the house. But all eyes will focus on the level of abstentions and absenteeism.

Mr Dennis Skinner, another prominent dissenter, predicted last night that once a war began abstentions would increase substantially.

But, in the short term at least, Labour organisers can only hope that the total of dissenters and abstainers combined remains well below the total of those voting with the leadership and the government.

And that if war comes, it is over quickly.



Baghdad war fever brings airport panic

By Tony Walker in Baghdad

PANICKY foreigners besieged Baghdad airport yesterday in an effort to catch one of the last aircraft out of the Iraqi capital before the United Nations deadline.

The gloomy news overnight of the failure of the peace mission to Iraqi capital by the UN secretary-general, Mr Javier Pérez de Cuéllar, reinforced a jittery mood here as war preparations were stepped up.

Only two international passenger flights left Saddam international airport yesterday – one to Amman and the other to Sofia. Both were solidly booked.

With war seemingly inevitable, barring a miracle, Baghdad's few remaining diplomats, except for the Soviets and some Arab representatives, were leaving town. At Saddam airport, worry was almost palpable among passengers scrambling for boarding passes which were being handed out on a virtually first-come, first-served basis. There was no seat allocation and no reference to computer screens.

Rumours also spread through the airport terminal that yesterday's flights would be the last out of the country until the crisis eases. The airport, it was said, was being closed to civilian aircraft, in preparation for hostilities.

Like so many other rumours in the Iraqi capital these days, this was impossible to confirm. But it added to the unease that has gripped the dwindling foreign contingent in the past 24 hours.

Five statements by President Saddam Hussein, in which he seemed almost to invite war, added to the foreboding. And in a sign that the country is now moving on to a war footing preparations in Baghdad itself for hostilities are becoming more noticeable.

The local militia is more active on the streets, there is more activity around the anti-aircraft gun sites, and masking tape is beginning to appear on windows to stop them shattering under the impact of bomb blasts.

Ferry landing lights are being prepared near bridges across the muddy Tigris – in the expectation that the bridges themselves might become a target in the event of war.

President Saddam himself is seen even more in the public eye these days, if that is possible, and his every statement is read or listened to with obsessive interest.

"If they want war, no other power can stop it," he said in a pre-dawn television address calling on Iraqis to fight to hold Kuwait.

"The time of capitulation has gone for ever. It does not exist in the Iraqi vocabulary," he declared. These are the defiant words of a defiant leader. Baghdad was bracing itself for the worst and hoping for the best, although peace prospects seem bleak indeed.

French assembly expected to back use of force

By Ian Davidson in Paris

PRESIDENT François Mitterrand is ready to seek the national assembly's support for the use of military force in the Gulf, and all the indications are that he is likely to get it.

But a decision to go to war, deeply unpopular with a large slice of public opinion, would be carried in the assembly over the protests of a vocal minority wing of the governing Socialist Party (PS).

The most recent opinion poll shows a large majority of the population opposed to a war on any grounds. In the assembly, however, virtually all the Socialist deputies are likely to line up behind the government, following heavy pressure from the party leadership last week.

Mr Jean-Pierre Chevènement, the defence minister, and his followers in the dissenting wing of the party known as Socialisme et République, have repeatedly advertised their hostility to the war option. As recently as last Monday, they published a policy statement denouncing what President Mitterrand himself termed the "logic of war".

But Mr Chevènement was reportedly *asked by the Mr Mitterrand* to stay at his post, *and last Thursday*, while continuing to warn against the "*murderous*" nature of a war in the Gulf, he publicly made clear that he would carry out the president's instructions, including instructions to wage war.

The traditional conservative opposition parties will finalise their position on a parliamentary vote today.

The two national leaders, Mr Jacques Chirac for the Gaullists and Mr Valéry Giscard d'Estaing for the UDF group, have until now given moderate support to President Mitterrand's Gulf policy, (apart *from an eccentric wobble by* Mr Chirac last October), and it seems unlikely that their followers will seek to undermine the government on the eve of a conflict.

Much will depend on the terms in which the government frames its parliamentary resolution. It is already clear that it will not take the form of a declaration of war under Article 35 of the Constitution, since France will not be conducting a war with Iraq, but merely carrying out UN Security Council policy.

Instead, the government is likely to present a general statement of policy, which will then be subject to a vote.

The precise constitutional importance of the assembly *vote seems to be in some* doubt, however.

Last week the Elysée Palace was claiming that parliamentary approval was not absolutely required for policies which had already been decided, and would continue to be decided, under the president's authority. The purpose of the national assembly debate was merely to permit the nation's representatives to be associated with the President's decisions.

Even if this is the strict constitutional position, however, the government is unlikely to adopt an attitude of such disdain *inside* the Palais Bourbon. The parliamentary vote will obviously acquire an importance of its own, which is bound to be measured by the size of the government's majority. Were the government to be defeated, the prime minister would have little choice but to resign.

The conservative opposition parties are only likely to be strongly critical of the resolution, if it appears designed to secure a general vote of support for government policies, outside the Gulf crisis.

On the other hand, the war option in the Gulf will undoubtedly be opposed by the Communists in the assembly, as well as by the extreme right-wing National Front party outside.

Iraqi members of parliament vote yesterday to fight to hold on to Kuwait in defiance of the United Nations ultimatum

Deputies vote for 'historic confrontation'

By Lamis Andoni and Tony Walker in Baghdad

IRAQ'S national assembly, in a highly charged special session, voted yesterday to confront the US in the Gulf and resist *all attempts to force an Iraqi withdrawal* from Kuwait.

But at the same time the assembly, which acts as a rubber stamp for decisions taken by Iraq's Ba'athist rulers, also "voted" special constitutional powers for President Saddam Hussein "for whatever (he) needed."

In Baghdad, this was being interpreted positively by some Iraqis as a sign the regime was preparing the ground for the president to make an adventurous decision to sue for peace.

But public statements by Iraqi leaders suggested they had virtually accepted the *inevitability of conflict*.

President Saddam, in an interview with Iraqi journalists soon after his failed talks on Sunday night with Mr Javier Pérez de Cuéllar, the visiting UN secretary-general, called on his people to fight to the death to hold on to Kuwait.

"Kuwait has become yours and you may have to die. . . because the now is not only a matter of a province which is part of Iraq. . . Kuwait has become a symbol for the whole Arab nation," Saddam said in an interview broadcast on Iraqi television.

The Iraqi leader was reported to be equally determined in private conversations to confront the might of the US as he has been in his public utterances.

Iraq's 250 assembly members voted by acclamation for a resolution which declared: "This is an historic confrontation. . . Steadfast Iraq led by Saddam Hussein has resolved to fight".

Reuter reported that minutes after the assembly vote, several hundred demonstrators took to the streets calling for chemical weapons to be used against US troops massed in Saudi Arabia.

The assembly resolution was seen as a response to the US Congress decision at the weekend to authorise President George Bush to use force to remove Iraq from Kuwait.

Arafat prepares PLO for war

MR YASSIR ARAFAT, who has said repeatedly his men will stand by Iraq in time of war, has ordered his Palestine Liberation Organisation guerrillas in Lebanon to prepare for conflict, Our Middle East Staff reports.

The PLO leader, who said in Baghdad on Sunday there would not be a war in the Gulf, is Iraq's most enthusiastic supporter among Arab rulers.

He has ordered his men throughout the *Middle East* to support Iraq, and has offered to *mobilise about 10,000 PLO* fighters in Iraq to join the battle.

A PLO official was quoted in Lebanon yesterday as saying that Mr Arafat issued orders to his men to "be ready to fight on Iraq's side in any possible war in the Gulf".

The tiny PLO force will hardly make much difference in a full scale Gulf conflict, but Mr Arafat's continuing gestures of support of Iraq are likely to further infuriate the wealthy Gulf states and *Egypt* which have hitherto, been his main supporters.

Al-Sabah member would accept flattening of Kuwait

By Victor Mallet in Dhahran

A SENIOR member of the exiled Kuwaiti ruling family said last night that he would accept the "flattening" of his country if that was the only way to liberate Kuwait.

Sheikh Ali al-Sabah, governor of Kuwait's Ahmadi province and nephew of *Sheikh* Jaber, the Emir, said that 350,000-400,000 Kuwaitis (more than half the population) had fled the country.

"We have already lost our land," he told a news conference. "We have already lost a lot of our infrastructure. So we really don't have a lot to lose. I don't want it to be flattened, but, if the flattening of Kuwait is the liberation of Kuwait, I would have that."

Sheikh Ali said about 2,000 Kuwaitis had been killed since the invasion. He also claimed, without giving details, that 10,000 were being held hostage, and said 300-400 young men had been taken to Iraq in the *past few days, possibly to be* used as "human shields".

Like other members of the al-Sabah family, he seemed to rule out fundamental democratic reforms in a liberated Kuwait, and, in what was almost certainly a reference to Palestinians alleged to have collaborated with Iraq, said Kuwait would have to be much more careful about whom it allowed into the country.

Europeans face moment of choice

By David Buchan in Brussels

IN THE waning hours before the United Nations deadline many European governments are having to decide whether to join a US-led attack on Iraq.

Among EC states only Italy and to a lesser extent the Netherlands look like joining Britain and France in making an active European contribution in a war.

The Italian government, the only one apart from Britain *and France to send aircraft* (Tornado fighter-bombers) to *Saudi Arabia, is expected to* request parliamentary approval tomorrow for its forces to take part in "an international policing action". The wording gets around the disapproval in the Italian constitution of war as a means of conflict resolution.

Earlier this month, the Netherlands said its two frig*ates patrolling the Strait of* Hormuz as part of a joint West European Union (WEU) unit, would take part in a war if this proved necessary to enforce UN resolutions. By contrast, Belgium, Spain and Portugal have made it clear that their ships will do nothing more than continue to enforce the naval blockade of Iraqi ships.

However, wider European participation is possible through a reinforcement of Nato naval forces in the Eastern Mediterranean where Germany has deployed minesweepers. Along with Belgium and Italy it has also sent aircraft to Turkey.

Members of the nine nation WEU are expected to convene under Germany's presidency in Paris on Thursday to see *whether the organisation's* peacetime role of co-ordinating *European* naval forces in the Gulf can be continued in war.

The will to fight varies according to the ideological composition of governments and ethnic mix of populations. In Belgium, for instance, the presence of strongly anti-war Flemish socialists in the ruling coalition and nearly *150,000* North Africans in the popula*tion have driven Prime Minis*ter Wilfried Martens to declare publicly his two mine-hunters will avoid all hostilities.

This is in contrast to the tougher attitude taken by the Dutch government, which includes socialists in the ruling coalition and has some 133,000 *North African* voters.

Other countries with sizeable Maghreb communities - themselves quite sympathetic to President Saddam Hussein, or at least to his championing of the Palestinian cause are: France (with 1.4m North Africans in 1988), the Netherlands (133,000), Germany (78,000), Italy (20,000) and Spain (11,000). These official statistics drawn from a 1990 Commission report are probably *sizeable* underestimates in the cases of Italy and Spain.

It is hardly surprising that the main push for a separate and distinct EC peace initiative, *quashed repeatedly by* Iraq, has come mainly from *southern Europe - France*, Italy, Spain, plus Belgium and Germany. This last country is forbidden by its constitution to send forces outside the Nato area.

In most cases, the countries most resistant to EC diplomatic initiatives on the grounds that they would confuse the signals being sent to Iraq are those firmest in support of military action as a last resort. France, however, may prove the exception in turning *from the EC's chief* "peacenik" to a main combatant.

Israel dismisses Palestine link

By Hugh Carnegy in Jerusalem

ISRAEL, braced for a threatened Iraqi attack as peace hopes ebbed in the Gulf, yesterday dismissed as "pure nonsense" efforts by Baghdad to portray the Palestinian issue as its main interest in the conflict.

Responding to President Saddam Hussein's *attempts* to win over Arab opinion by champi*oning the Palestinian cause*, the Foreign Ministry said the root cause of the Gulf conflict was Iraq's aggression against Kuwait.

"No one seriously believes that Iraq attacked Kuwait, tortured and murdered many of its citizens and took hostages in order to aid the Palestinian cause," it said.

The armed forces were reported yesterday to have *been placed on maximum alert* in case Iraq attacked Israel before the *expiry of the United* Nations deadline *for* it to quit Kuwait in an effort to split the US-led alliance of western and Arab forces.

Israel has been annoyed at pressure from Washington not to respond to an attack, to avoid allowing Mr Saddam to shift the focus of conflict away from Kuwait. The Foreign Ministry said Israel was "the only country that is facing an explicit threat, a blatant threat from Saddam Hussein" and reiterated that defence of the country remained "the sole responsibility of the government of Israel".

However, the government is keen not to play into Baghdad's hands. Commenting on *lengthy* weekend talks in which a US delegation led by Mr Lawrence Eagleburger, *the* deputy secretary of state, apparently *sought* to persuade Israeli leaders to keep out of a war, the Foreign Ministry said the discussions were part of intensive recent contacts between the two sides and stressed Israel's full backing for US policy in the Gulf.

Although ministers have not given any public hint that they would refrain from retaliating *against an attack, they have* promised not to launch a pre-emptive strike.

Senior opposition figures have also said the scope of an Israeli response should depend on the seriousness of any Iraqi strike.

General Dan Shomron, the chief of staff, has pointed out that the Iraqi threat is limited and poses no threat to the state's existence. Mr Yitzhak Rabin, former prime minister and defence minister, said in a radio interview that the huge US-led force facing Iraq was greatly to Israel's advantage.

"There's no doubt that from this aspect, Israel is in the best situation it ever was on the eve of a war."

Nevertheless, public anxiety about the possibility of chemi*cal missile attack has* continued to mount. Yesterday, a hospital in Tel Aviv, the likely target of Iraqi missiles, carried out a full-scale civil defence exercise.

It also emerged that the military were distributing gas masks to Jewish settlers in the occupied territories, but not to the Arab inhabitants. But an appeal by a Bethlehem woman won an order by the Supreme *Court for immediate* distribution to Palestinians as well.

Meanwhile, a 12-year-old Palestinian boy was shot dead in the West Bank town of Ramallah during a wave of demonstrations across the occupied territories — where public sympathy runs heavily in Iraq's favour — against war in the Gulf.

US officials caution against delay in launching air and missile attacks

By Peter Riddell, US Editor, in Washington

US AIR and missile attacks on Iraq are likely to start within days of the expiry of the United Nations deadline for withdrawal from Kuwait at 5am GMT on Wednesday.

Failing any last-minute start to withdrawal by Iraq of its forces from Kuwait, both Mr James Baker, US secretary of state, and Mr Dick Cheney, defence secretary, have warned that military action will be "sooner rather than later".

While ground forces are still arriving in Saudi Arabia, the US-led coalition is ready to begin air attacks. US officials are arguing against waiting *too long, both to forestall delaying* tactics by the Iraqi leadership which *might divide the international coali*tion and to avoid any pre-emptive attack by Iraq which might drag Israel into the conflict.

The tone of US official comment yesterday was sombre and pessimistic about the chances of any 11th-hour diplomatic breakthrough.

Democrat congressional leaders, who have urged caution and persistence with sanctions, yesterday promised complete support for President George Bush and US forces in the field.

The administration is confident all countries with ground forces in Saudi Arabia – with the likely exception of Syria – will send them into action if necessary.

Other American allies, particularly Japan and Germany, are facing growing criticism in the US for failing to make a "fair" contribution to international efforts in the crisis.

Senior members of congressional foreign policy committees have *warned that these tensions could* have an enduring impact on US relations with its allies as *long-term* security arrangements are reviewed.

THE US Central Intelligence Agency has been criticised by leading Democrat senators for allowing political considerations to enter into its analysis of the impact of sanctions on Iraq, writes Peter Riddell.

The controversy arises over a letter sent last Thursday by Mr *William Webster, CIA director*, which concluded that "even if *sanctions continue to be enforced* for an additional six to 12 months, economic hardship alone is unlikely to compel Saddam Hussein to retreat from Kuwait or to cause regime-threatening popular discontent in Iraq."

Senator George Mitchell, Democrat majority leader, argues that the subjective conclusions which were *offered* by Mr Webster "were directly contrary to the facts presented".

They could also have an effect on apparently unrelated issues, such as foreign investment and trade.

In three days of congressional debate, speakers argued that it would mainly be Americans dying in any war. Senator *Robert* Byrd, former Democrat majority leader, voiced a widespread view when he said it was "a shame and disgrace that Germany and Japan, two countries that will benefit far more than will the US, will stand by and cynically watch American men and women shed their blood in the sands of the Arabian desert and refuse to help to finance the costs of this effort".

Senator David Boren, chairman of the Senate intelligence committee, raised the question that, if there was a long and costly ground war, "have we served our interests, or have we served the interests of the Japanese and Germans who have been sitting on the sidelines, not contributing to this effort as they should?"

Mr Leon Panetta, Democrat chairman of the House budget committee, argues that US allies should underwrite "at least 50 per cent" of the cost of the military operation. "Everyone hoped we could begin a new era in which other nations would assume responsibility for peace in the world. This is not the kind of new world order the president envisaged."

Mr Les Aspin, chairman of the House armed services committee, warned: "If you have a shooting war, and they have still done very little, there will be a tremendous political backlash. There's going to be some reckoning on this." The administration, however, emphasises the extent of financial contributions – which the US will seek to increase – from Japan, Germany and other European allies, and the latest assurance by allies with ground troops and aircraft in the region that they will fight.

Wide differences of opinion exist across the Atlantic and the Pacific over the priority and handling of the Gulf crisis. There is also an ambiguity in the US position.

Washington wants both to lead the coalition and have a bigger financial and military contribution from allies, yet is reluctant to share decision-making. President Bush and his advisers have consulted assiduously with members of the international coalition, but are reluctant to grant more cautious allies a greater say in any military operation.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt-Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial News Limited. Publishing director: D. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Continued on Page 21

Anti-war lobby struggles to gather steam

By Jimmy Burns and Neil Buckley in London and Nancy Dunne in Washington

A DELEGATION from Britain's Committee to Stop War in the Gulf, headed by Ms Marjorie Thompson, chairwoman of CND, will present a letter today to Mr John Major, the Prime Minister, calling for further negotiations to try to end the Gulf crisis.

This will be followed by a candlelit demonstration for peace in Trafalgar Square in the evening, and the committee says it has other "contingency plans" should hostilities break out within the next few days.

In the US, vigils for peace were continuing yesterday outside the Capitol and further nationwide anti-war marches are planned for January 19 and January 26.

Over the last week, peace demonstrations against war in the Gulf have been attracting large crowds across the western world. In Britain, the protests are still dominated by marginal groups without sufficient political clout to prevent the build-up to war.

As Mr Tariq Ali, the veteran British anti-Vietnam campaigner, noted yesterday: "The difference with 1968 is that a large number of people then identified with the enemy. Today there is a great deal of genuine pacifism but there is no identification in the West with Saddam."

But in the US and continental Europe, opposition to the war is proving more problematic: more complex than it was during the Vietnam War, but with the potential to gather steam if and when the body-bags begin to come home.

In the US, today's demonstrators – young, old and middle-aged, black and white – seem representative of the general population. Their commitment is no less emotional than that of their predecessors; but it is less inflammatory.

Disillusioned by government over the past two decades, the current activists do not feel obliged – as past generations of Americans have – to support a US president in times of national danger. There is no central threat of world communism to drive their patriotism. In fact, many believe it is President Bush's policies which helped create the Gulf confrontation.

In Britain the Committee to Stop War in the Gulf has been co-ordinating popular opposition to a war since it was formed at the end of August by Ms Thompson and Mr Bruce Kent, another leading CND campaigner.

However, the movement has yet to bring out as many crowds as opposition to the poll tax last year. It also has yet to succeed in altering the positions of the main political parties or to have its support reflected in opinion polls which continue to show majority support for military intervention.

In Spain, anti-war protests brought upwards of 100,000 Spaniards onto the streets in half-a-dozen cities over the weekend to take part in peace demonstrations orchestrated by the communist-led Izquierda Unida (United Left) coalition and by trade unions. The organisers, the speakers at the meetings and the demonstrators, however, appeared to be the rump of the far larger movement that came out onto the streets five years ago to oppose Spain's entry into Nato.

Over the weekend, Germany saw its biggest peace demonstrations since 1983 and most ordinary Germans are deeply worried about the prospect of war. About 250,000 people are estimated to have taken part in the weekend demos. Most of the marches and meetings were organised by the organisational framework left behind from the peace movement of the late 1970s and early 1980s, but the Social Democratic Party, the Greens and the trade union movement offered support in most areas.

The Italian Communist Party (PCI), Italy's second largest party, yesterday put itself at the head of the nascent anti-war movement with a declaration by its leader, Mr Achille Occhetto, that the party would oppose any move that would involve Italy in hostilities.

The PCI split over its abstention from last September's vote on military commitment to the embargo, and its decision to contest Italian participation in a Gulf war may threaten the government's majority.

In Paris, a weekend procession to the Elysée Palace was led by Mr George Marchais, head of the Communist party and Mr Henri Krasucki, leader of the CGT communist-led trade union.

Also present was Mr Max Gallo, a Socialist Euro-MP close to Mr Jean-Pierre Chevènement, the defence minister, who has serious misgivings about going to war.

A delegation was received by President François Mitterrand's diplomatic affairs adviser, Mr Loïc Hannekine.

Tony Benn, MP, with Marjorie Thompson, chair of the Committee to Stop War in the Gulf, prepare for London protest

Oil imports cost Africa $2.7bn more

By Michael Holman, Africa Editor

THE ADDITIONAL cost of oil imports for Africa as a result of the Gulf crisis is estimated at \$2.7bn (£1.4bn) in 1990, while the continent's seven oil exporters benefited by at least \$10.5bn, the United Nations Economic Commission for Africa said yesterday.

In its review of Africa's economy in 1990, the Addis Ababa-based commission said there was a 3 per cent increase during the year in Africa's overall gross domestic product.

But Mr Adebayo Adedeji, the commission's executive secretary, said that high population growth meant that in per capita terms the continent's GDP declined by 0.2 per cent: "This means in effect that the average African continues, for the twelfth successive year, to get poorer."

Around 20 per cent of the total imports of non-oil producing countries were taken up by oil before the crisis, says the report.

Nigeria is the main beneficiary of the increase from an average of \$17 per barrel in the first half of the year to an average of around \$35 by October, and on this basis enjoyed a \$5.2bn "windfall". The calculation excludes earnings from increased production.

NEWS IN BRIEF

Airlines cancel their Middle East flights

BRITISH AIRWAYS was among airlines yesterday which cancelled some flights to the Middle East because of tensions in the Gulf, writes Paul Betts, Aerospace Correspondent.

BA said yesterday it had suspended its flights to Tel Aviv and to Dhahran in eastern Saudi Arabia. Trans World Airways also said yesterday it was suspending flights to the Middle East. Air France has suspended most of its passenger flights to the region.

Two die in Tornado crash

A British Tornado ground-attack aircraft on a training mission crashed in Saudi Arabia on Sunday, killing the two-man crew, the Ministry of Defence said yesterday, writes David White, Defence Correspondent.

The accident brought to seven the number of British servicemen to have died in the Gulf since forces were sent there in August. It was the third RAF aircraft to be lost. The crew were named as Flight Lieutenants Kieran Duffy and Norman Dent.

Islamabad demonstration

At least 12 policemen and 10 students were injured when demonstrators clashed with riot police in Islamabad yesterday, as they tried to reach the US Information Centre to protest at the troop presence in Saudi Arabia, writes Farhan Bokhari in Islamabad. Some 74 students were later arrested.

UK Greens in Baghdad

Two members of the British Green Party hope to meet President Saddam Hussein in Baghdad today in a last-minute attempt to stop a Gulf war and to warn of the environmental consequences of a conflict, writes John Hunt, Environment Correspondent.

Mr John Allier and Ms Suzan Dunstan, the party's Middle East analyst, yesterday met other Iraqi ministers.

Iraqi citizens living in the west face security clampdown

By Jimmy Burns and Andrew Jack

THE SECURITY net around Iraqi residents in Western Europe and the US is tightening as governments react to the threat of terrorist action.

However, within the alliance of countries currently opposed to President Saddam Hussein, there appears to be no united policy on how draconian security measures should be.

As the crisis deepens, more governments are likely to have to make the unpalatable choice between greater security and civil liberties.

EC ministers agreed in September to tighten security involving more than 18,000 Iraqis living in Europe, and this was quickly followed up by the first wave of expulsions of Iraqi diplomats from several European capitals, mainly military attachés, in a move led by France and Britain.

More recently, Britain together with other European countries including France, Spain, Germany, Sweden and Italy have ordered intelligence and police services to increase surveillance of suspect Arab terrorists and are tightening up on new entrants.

Britain has gone further than its EC partners in the number of diplomats it has expelled and in deporting other Iraqis, mainly students, suspected of being a potential terrorist threat.

In the US, where there are more than 68,000 non-immigrant and legal, permanent Iraqi residents, the FBI and other government offices have taken a series of controversial steps, including fingerprinting at ports of entry and interviewing suspects.

Washington's latest wave of diplomatic expulsions was announced this weekend. State Department officials say the "primary objective is to reduce Iraq's capacity to orchestrate terrorism in the event of hostilities".

But the decision of the FBI to ask Arab-American businessmen to volunteer information on their compatriots has caused controversy as a potential infringement of civil liberties.

In Britain, where officials are wary of encountering similar protests, the Home Office was yesterday trying to play down the possibility of internment for Iraqis living in the UK.

But they said "contingency" plans exist for tightening internal security in the event of a war in the Gulf.

There continue to be unofficial reports, however, that the Home Office has plans to arrest a limited number of Iraqis in the event of war, and detain them in camps guarded by military police, including one at an army base at Rollestone on Salisbury Plain.

Apart from internment without trial in Northern Ireland, foreign nationals in Britain were last arrested during the Second World War. Any detentions would take place under emergency powers following a declaration of war.

An alternative strategy for the government would be further deportations. But a Foreign Office official said she did not expect further deportations of embassy staff, adding: "The secretary of state has said that he wishes to keep channels of communication to the Iraqis open." A similar view is being taken in Washington.

The near-5,000 Iraqis living in the UK include a substantial number of dissidents. Nearly 600 have formally been granted asylum since 1979.

The UK Council for Overseas Student Affairs estimates that around 1,000 Iraqi students were studying in Britain at the start of the academic year. But since their maintenance and tuition payments were frozen by the embassy after sanctions were introduced, many have left, says Ms Maeve Sherlock, deputy director of the council.

The students are widely dispersed around the UK, with few in London, and the largest number – around 60 – studying at Strathclyde University, with significant groups in cities such as Leeds, Swansea and Loughborough.

The two student political organisations are the National Union of Iraqi Students and Youth, which is Ba'athist and pro-Saddam, and the unofficial Iraqi Student Society. Few university student unions will fund the National Union, said Ms Sherlock, because it has the reputation of spying on Iraqi dissidents.

Numerous Iraqi students appear to be non-political, or opposed to the Saddam regime. "I have never been involved in any political action," said one Iraqi science postgraduate living in South Wales. "I am not very interested in politics. I'm just trying to get my PhD done. But I am very concerned about the safety of my family."

Additional reporting by Tom Burns in Madrid, John Wyles in Rome, David Goodhart in Bonn, Robert Taylor in Stockholm and Ian Davidson in Paris.

Norway likely to supply Saudi field hospitals

By Anthony McDermott

NORWAY is expected to agree to a British request to supply field hospitals and services in Saudi Arabia to handle Iraqi prisoners of war.

The government in Oslo has agreed in principle, and talks yesterday between Mr Johan Jorgen Holst, the Norwegian Defence Minister, and Mr Tom King, his British counterpart, were aimed at finalising the details.

Norway, a member of Nato, has so far contributed to the allied Gulf effort one coastal patrol vessel, working out of Dubai and deployed to police the embargo against Iraq. In addition, it had provided Turkey with Sidewinder air-to-air missiles, three field hospitals, and aircrews to participate in the Nato early warning systems.

Mr Holst said that there had been overall agreement in Norway to the principle of providing services which would back up camps for Iraqi prisoners. The contribution involved "a few hundred people and some 100 beds in field hospitals".

Norway would be available for a contribution to a UN force to supervise a withdrawal from Kuwait, and medical assistance for Iraqi prisoners of war should not exclude it from this role.

هكذا من الأصل

Western nations plan how to maintain oil supplies

By Deborah Hargreaves

WESTERN industrialised countries are putting final touches to plans for dealing with a disruption to oil supplies as the world faces the prospect of a war in the Gulf.

The International Energy Agency has committed its 21 members to making 2.5m barrels of oil a day available to world markets once it perceives a shortfall. Almost half this, 1.1m b/d, is likely to come from the US, where 586m barrels are stored in the strategic petroleum reserve.

Measures to cut demand in most countries are expected to be little more than publicity exercises, to start with. If hostilities continue for longer than expected or if there is a severe disruption to oil supply, steps to cut consumption will be crucial. But with world stocks at their highest for nine years, stored oil would last a year and a half at the planned rate of 2.5m b/d, according to the UK government.

The British government has indicated that petrol rationing would only be implemented if supply dropped below 20 per cent of last year's demand, and looked likely to stay there for six months.

Demand has been dropping in the UK by 1 to 2 per cent a month since November, compared with the same months a year earlier, and is currently 70m tonnes a year.

Aside from the US, the largest reserves of government-controlled oil in the IEA are held by Japan and Germany: 206m barrels and 194m barrels respectively.

The Japanese government is expected to lower the minimum level it requires companies to hold so that commercial stocks will be available to the market in the event of war. In this way Japan will make 300,000 b/d available to the market. Tokyo has already said it will turn the heat down in government buildings.

Germany, which is due to announce its emergency plans today, will also rely heavily on stock drawdown.

The IEA's plan covers 23 countries and 17 of them will be relying on some form of stock drawdown. France is the only country that will not draw on any stock, but will rely wholly on demand restraint measures such as increasing taxes on petrol. Spain, Sweden and Turkey will also rely heavily on voluntary restraint measures.

The UK will contribute 120,000 b/d to the IEA's 2.5m b/d by releasing company stocks over which the government has a claim.

If supply were to fall by around 2 per cent of demand the government would consider cutting the speed limit from 70 to 50 miles per hour and encourage such practices as car tuning and car sharing.

EC regulations require Britain to carry 76.5 days of oil and product stocks held by companies as part of their normal commercial inventories. Total UK company stocks are currently slightly higher than required, at 17.3m tonnes, of which 40 per cent is held as crude and 60 per cent as petroleum products.

The government believes it could get these stocks to market in less than the 15 days set by the IEA for stock release, since they are held in commercial storage.

Other countries in the IEA which hold government stocks are Italy, Sweden, the Netherlands, Denmark and Austria, which between them hold 42m barrels.

City of London battle stations

By Stephen Fidler, Euromarkets Correspondent

THE City of London looks set for an early rush hour tomorrow as some trading rooms are expected to be staffed at 5am for the expiry of the UN deadline for Iraq's withdrawal.

Midland Bank, for example, is to keep two dealers in the office overnight in case war erupts. Most of the rest of its Treasury team are expected to be at their desks at 5am.

Some dealers at the Japanese securities house, Daiwa Europe, will also arrive by 5am. Officials said traders of US and Japanese government bonds would go in early.

Others, unconvinced that hostilities will break out immediately, say they will only react when something happens. They have made plans to ensure staff are informed as soon as something happens.

G7 resists US moves to forgive Egypt's debt

By Stephen Fidler, Euromarkets Correspondent

PROPOSALS by the US to forgive some of Egypt's debt to foreign governments are meeting opposition from other members of the Group of Seven industrialised countries.

The US has already written off about $7bn (£3.6bn) of military debt owed by Egypt in response to Egyptian support for the US-led alliance.

Its proposal for forgiveness of Egyptian trade debts to governments – to be discussed by the Paris Club of creditor governments this week – was seen as a further gesture of support for President Hosni Mubarak's administration.

The decisions of the Paris Club on trade debts are made by consensus. Officials said most of the G7 opposed forgiveness of Egypt's trade debts although they would not oppose a more usual rescheduling of maturities.

There is doubt in some governments about Egypt's immediate need for debt forgiveness in 1991-92, with strong financial support promised from several sources, including Saudi Arabia.

The Paris Club's rescheduling operations normally only follow agreement with the International Monetary Fund on an economic programme. The IMF is holding discussions but Egypt's ability to stick with such a programme is questioned.

The Club is also scheduled to discuss Poland's debt to governments. Around three-quarters of its $45bn in foreign debt is owed to governments, but as yet no consensus has emerged on how to deal with these debts once an agreed moratorium on Polish principal and interest payments expires at the end of March.

Bahrain's biggest bank moves operation

By Mark Nicholson in Bahrain

ARAB Banking Corporation, Bahrain's largest bank, said yesterday it was shifting its operational centre from Bahrain to London until the Gulf crisis was over.

ABC has written to all its business partners advising them to conduct transactions through its London branch, which has full access to all the bank's records under a crisis management system introduced during the 1980-88 Gulf war.

Mr Abdulla Saudi, the bank's chief executive, stressed yesterday that the move was temporary and did not indicate plans to abandon its base in Bahrain, the Gulf's beleaguered banking centre.

He said that the shift would require the addition of just four staff in the bank's London office.

Bahrain's offshore banks have been severely hit by the Gulf crisis. Almost all the island's banks had credit lines cut when the crisis began and bankers say virtually no fresh money has entered the island since.

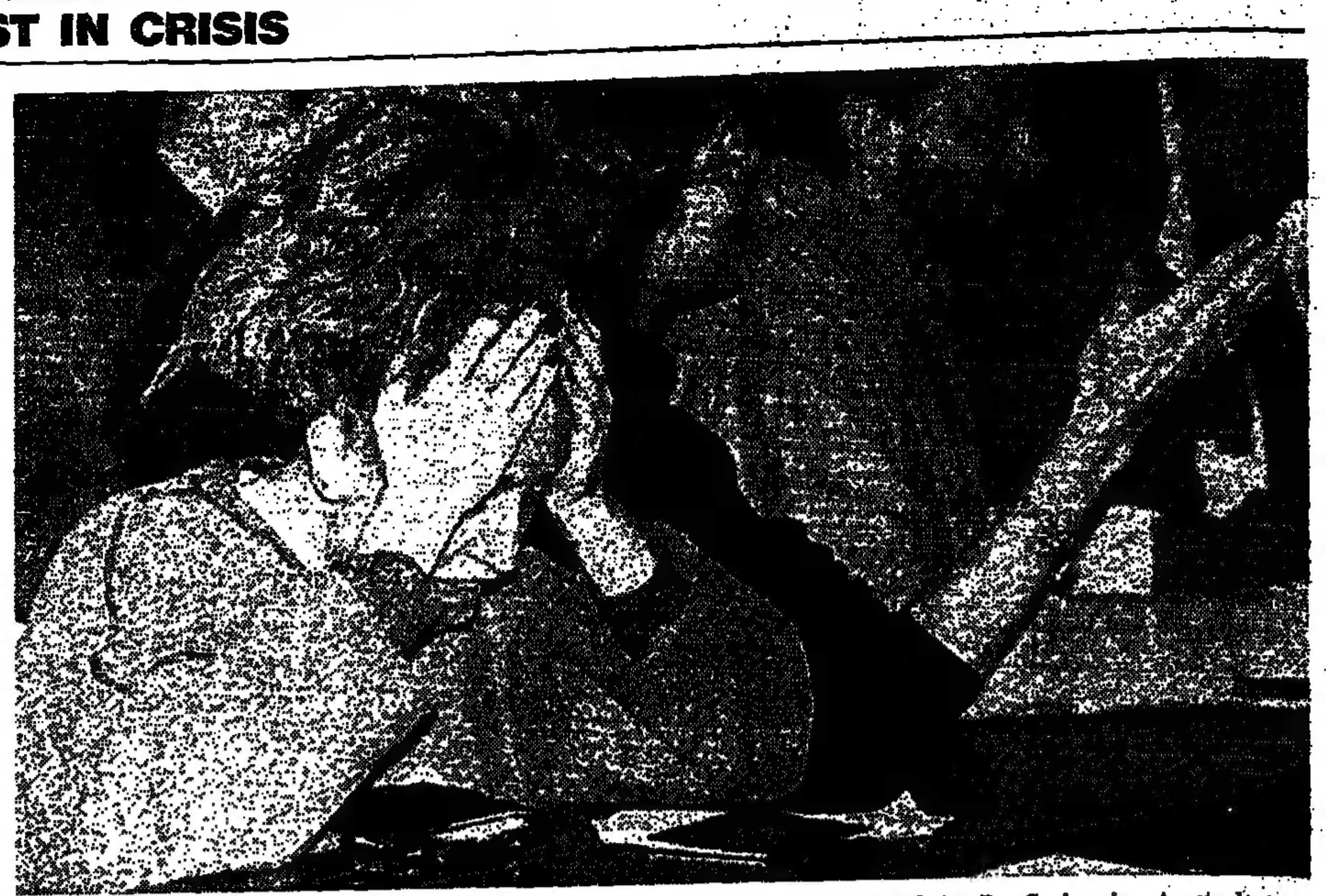
Gulf International Bank, Bahrain's second largest, sacked more than 50 senior staff earlier this month and drastically cut back its international operations in the island's biggest retrenchment move to date.

Mr Saudi said that ABC's Bahrain operations had also suffered and that the bank would be announcing cuts in its Gulf-based investment banking operations over the next two months.

However, he said that the bank's international subsidiaries, which include Banco Atlantico, the Spanish retail bank, and International Bank of Asia in Hong Kong, were performing strongly.

Furthermore, Mr Saudi said the bank's expansion plans would continue despite the crisis and that the creation of a London-registered subsidiary, to be called ABC International, should be completed within two months.

The Bank of England has given preliminary approval to the new bank, for which the board of directors is being finalised.



Desperate to leave Israel: a woman holds her head in her hands as she tries to buy an air ticket at Ben Gurion airport yesterday

London insurers carry little war risk

By Richard Lapper

INSURERS in London are preparing to meet increased claims from the Gulf if hostilities begin but the world's biggest insurance and re-insurance market will not be undermined by the impact.

Although billions of dollars of assets are at risk from military action, a relatively small proportion of this wealth is insured. Insurance of some of the biggest assets in the region, such as the Saudi and Kuwaiti oil installations, is invalidated in the event of war.

Underwriters at Lloyd's of London agreed to exclude "war on land" as a risk from standard policies as long ago as 1936. Some war risks on land cover is available outside London but in relatively small amounts.

Marine and aviation underwriters in London and in some other markets (in France and Scandinavia, for example) do insure significant exposures against war risk but have already dramatically increased insurance rates and retain considerable flexibility to introduce further rises.

In London, upwards of eight underwriting syndicates at Lloyd's are leaders in the marine war risk market.

Premiums for both ships and aircraft and for their cargoes have been increased sharply in recent weeks. Marine underwriters are now charging up to 2 per cent of the value of a ship and its cargo to insure a one-week voyage into the war zone. This compares with annual rates of less than 0.1 per cent before the crisis.

Aviation underwriters introduced even more drastic rises in early January, charging airlines 0.25 per cent of an aircraft's value for a single flight to exposed destinations such as Tel Aviv and Riyadh. Prices could go even higher.

During the Gulf war between Iran and Iraq, shipowners faced prices of up to 5 per cent, while during the Second World War owners of cargo ships sailing in Atlantic convoys paid premiums of 10 per cent.

Aviation insurers have already met one claim under a war risks policy of $300m, compensating Kuwait Airways for the loss of 15 aircraft confiscated by Iraqi forces in August.

Insured ships and their cargoes sailing in Gulf waters could be worth $500m and $1bn on any given day, according to one specialist war risks broker.

One new supertanker carrying 220,000 tonnes of oil could be valued at as much as $180m, although in practice most shippers transporting oil from Saudi ports will tend to deploy older ships whose value would be nearer to $20m.

Tankers carrying liquid natural gas are more expensive at around $150m but go only as far as Das island, at the southern end of the Gulf, at a reasonably safe distance from potential Iraqi attack. The cost to underwriters of any loss could be increased by the expense of wreck-removal, pollution clean-up and payments to seafarers killed.

But although catastrophes are possible, these are seen very much as variants of the storm or explosion losses which occur in the normal course of events.

Mr Stephen Merrett, a leading war risks underwriter at Lloyd's, warns against a Doomsday approach. "If you are not careful you can produce a more and more extravagant idea of what might happen which becomes less and less real."

Underwriters believe that the scale of losses in the Iran-Iraq war, when the London market paid out $1bn after eight years of war, is a good guide to the level of future claims. One prominent broker said that he viewed the overall chance of any major loss as slim. "The chance of shipping losses being anything like 10 vessels overall is unlikely," he said.

Two other areas could present insurers with heavy claims. Lloyd's syndicates, along with the US insurer American International Group, have participated in a scheme providing life insurance to British servicemen in the Gulf. Several thousand policies, guaranteeing up to £100,000 in cover, have been sold. Claims will obviously follow from military casualties.

Iraq's threat to unleash a world-wide terrorist offensive is also worrying insurers. One broker said that what the market terms "target risks" outside the Gulf could be a bigger source of loss than military destruction inside the region.

Tokyo may help pay for US bases in Philippines

By Greg Hutchinson in Manila

JAPAN is considering contributing to the upkeep of US military facilities in the Philippines, Mr Raul Manglapus, Philippines foreign secretary, said yesterday.

"The burden-sharing aspect is something we consider important," he said at a news conference, adding: "We feel that the initiative should come from the American side on this matter although we have informally taken this up with some of our friends in the [East Asia] area, including Singapore and Japan."

Asked what Japan's response was, Mr Manglapus replied, "positive". But he emphasised Manila was not asking Tokyo to become involved militarily, only to provide economic support.

Feelers had also gone out to the Philippines' neighbours in the Association of South-east Asian Nations (Asean). Bonds at concessional rates were being looked at for funding the facilities, which include the gigantic Subic Naval Station and Clark Air Base. "It would not be aid," Mr Manglapus said.

An amount had yet to be decided, pending agreement on compensation with the US.

If peace reigns in the Gulf, the Americans would be seeking a reduced but still substantial military presence in their former colony beyond the expiration this September of a lease over the bases.

A fourth round of US-Philippine talks aimed at crafting a security-related treaty ended last Saturday. A final round is scheduled for next month.

Police fought with students in Dhaka, Bangladesh, again yesterday, after a student was shot dead by police who stormed a college campus. The violence began on Sunday after police beat a student who got into an argument with guards at the Indian High Commission while trying to get a visa to visit India.

Roh demands cut in S Korean inflation

By John Ridding in Seoul

MR Roh Tae Woo, South Korea's president, yesterday ordered his economic ministers to reduce the country's rate of inflation, following last year's 9.4 per cent increase in consumer prices, the highest in almost a decade.

In a meeting with top economic officials, called to set out this year's economic strategy, he also stressed the need for raising industrial competitiveness, improving labour relations, and resolving trade disputes.

"People are greatly concerned at the recent hikes in prices that directly affect their daily lives," Mr Roh said, according to Yonhap, the official news agency. "Ministers must concentrate their efforts on appeasing inflation psychology as soon as possible."

The government has set an inflation target of 8 per cent this year. Analysts doubt that this can be attained, pointing to the effect of the increase in oil prices and the inflationary impact of local elections to be held in the first half of the year. They also argue that the real increase in the cost of living suffered by most Koreans is understated by the official consumer price index.

During the current year, emphasis will also be placed on stimulating the manufacturing sector. Mr Chung Yong Euy, the minister of finance, said he would reduce loans to non-manufacturing companies and would seek to increase the level of facility investment by 25 per cent to won 16 trillion (£11.5bn).

Mr Roh also emphasised the need to avoid trade friction with Korea's economic partners. Trade relations with the US, Korea's largest partner, have deteriorated since the middle of last year because of Korea's stance on agricultural and service market liberalisation and the launch of an austerity campaign which has restricted high-quality imports.

A team from the US, headed by Mr Richard McCormack, US under-secretary of state for economic affairs, is in Seoul for two days of talks aimed at resolving outstanding trade issues.

Japanese car imports at record high for fifth year in a row

By Emiko Terazono in Tokyo

SALES OF imported cars in Japan last year rose by 22.9 per cent to a fifth consecutive record.

Figures published by the Japan Automobile Importers' Association (JAIA) showed that the total number, 223,923 units, fell short of previous projections of 240,000 units.

Sales for December indicated a sluggish 0.1 per cent year-on-year growth of 22,873 units, the lowest since December 1983. The dull growth reflected an 11.4 per cent decline in sales of smaller cars.

West German manufacturers remained dominant, with 62 per cent of total imported car sales. Mercedes Benz lead the way, with sales increasing by 23.3 per cent to 38,844, capturing 17.5 per cent of the market. Volkswagen came second with 36,770 units, BMW third with 36,527, and Audi fourth with 15,691.

British cars contributed 8.8 per cent of total sales at 19,653 units. Sales of the Rover Group surged 35.4 per cent to 14,431 units, putting it in fifth place, helped by increased sales of the Rover Mini.

JAIA sees the predicted slowdown in the Japanese economy affecting imported car sales this year and is expecting growth to slow this year to 13.9 per cent at 255,000 units.

But Mr Hajime Saburi at Mercedes Benz Japan said the slowdown was only in the smaller cars: sales of the larger luxury models were still brisk.

● South Korea's exports of motor vehicles to the US last year declined 15.9 per cent from 1989, to 196,200 vehicles, the Korea Automobile Manufacturers' Association reported yesterday, AP-DJ reports from Seoul.

It was the second consecutive yearly setback in Korean motor exports to the US, Korea's biggest market. The 1990 figure accounted for 56.5 per cent of Korea's overall exports, which stood at 347,020 vehicles, down 2.5 per cent from 1989.

According to the association Korea exported 54,888 vehicles to Canada, up 25.6 per cent from a year ago and 29,605 vehicles to Europe, up 23 per cent.

Officials said most of the exports were passenger cars, but the figures also included trucks and buses. They said Korean vehicle exports to the US slowed because of a weak market there and because of Korea's loss of price competitiveness, while Korean carmakers made greater sales efforts in other countries to diversify their markets.

The Korean motor industry aims to export about 400,000 vehicles this year, and sell 1.15m vehicles on the domestic market.

Black marks for failure of S African education

Philip Gawith on the ritual of matriculation results

EVERY year the festive season in South Africa provides the backdrop to a grim and dispiriting ritual, the publication of black matriculation, or school-leaving, results.

The release of white matric results is always accompanied by great celebration, with media attention focused on the healthy list of star pupils, their average age around 18.

But black results provide a macabre comparison, full of gloom and failure. Each year, angry black politicians warn of a catastrophe and the media is awash with a litany of excuses.

1990 was no different. Indeed, the results published last week were the worst ever. Of the 233,411 black students who sat the exams, over 150,000 failed. Only 36.4 per cent, or 81,746, passed; only 17,397 satisfied the nominal requirements for university entrance. This compares with pass-rates of over 95 per cent in both white and Indian communities.

Two caveats are required. The Department of Education and Training (DET) is upgrading the standard of its matric. So, while success rates are low, those who pass are obtaining something of greater value than the devalued certificate of the past.

Second, pupils can decide whether to write their exams at higher or standard grade. Inexplicably, more than 90 per cent of black candidates, against 50 per cent of whites, write at the higher grade. Greater balance here would improve the black pass rate.

For the individuals concerned, the results are a tragedy. But on a national scale the poor quality of black education, as witnessed by the matric results, hints at a vast class of people with no stake in civil society.

Ironically, while the country fails so conspicuously to educate its people it is also faced with a critical skills shortage. The National Manpower Commission estimates that the country will have a shortage of at least 228,000 professional and technical workers by the year 2000.

If the symptoms of the malaise are stark, then the causes are legion: a corrupt and incompetent bureaucracy, inadequate facilities, a legacy of financial neglect, poor morale, indiscipline, and political abuse. The result is a deep-seated collapse in the educational ethic among the black community. The habit of learning and any perception of its benefits are frequently absent.

Although the problems are daunting and certainly not soluble in the short term, there are signs of hope. Most important, those signs are emerging from the government.

Last year it discarded its policy of refusing to consult legitimate community organisations. Now a dialogue exists with such bodies as the National Education Co-ordinating Committee (NECC), certainly no friend of the government. This change in attitude can probably be attributed to the good-faith efforts of Mr Stoffel van der Merwe, the minister of education and training, and Dr Bernhard Louw, the director-general of the department, both relatively new hands at the job.

A hint of things to come was shown last week with the historic opening of some white state schools to black pupils. The government's efforts have been timid and the numbers involved are small, but the important principle of mixed state-education has been conceded. Considerable impetus should come with the abolition of the Group Areas Act, expected next month. Once segregated areas disappear, the logic for segregated schools cannot be sustained.

The government still has much to do. A priority is a rationalisation of structures – the current situation of 14 separate departments is patently absurd. It also needs to make better use of existing physical resources. It is cruel folly that white schools should be closing and teachers laid off for want of pupils, when black schools suffer a shortage of both.

There is also heartening news from the communities where political organisations seem finally to have abandoned the policy of using children as shock troops of the struggle.

The African National Congress (ANC) has said: "The subversion of the education of our people only the serves the forces of apartheid." Last week it called on teachers to "ensure that teaching does take place to a far greater extent" and for students to return to school – a long way from the damaging "Liberation now, education later" slogan of the mid-1980s.

The business community is also stepping up contributions. Next month Charter Life, the black-oriented component of the insurance company Liberty Life, plans to organise a conference seeking to develop a partnership between business and black communities and aimed at "promoting education in the interests of the community and of economic advancement".

Mr Martin Sweet, for Charter, says: "Private enterprise has to come in to close the gap as an interim measure until government can follow through."

Certainly there is not a lot of scope for more government spending on education. In the 1990/91 budget, 18.6 per cent of total spending went on education, above the level for countries with a similar per capital income.

Three more blacks have died from injuries sustained during a weekend attack on a South African township funeral wake, bringing the death toll to 38, hospital staff said yesterday, Reuter reports from Johannesburg.

Police said the number of people killed when the crowd at a soccer match fled from fighting spectators on Sunday was also expected to rise from 40.

A hospital spokesman said some of the 26 people wounded in a pre-dawn rifle and grenade attack on a prayer vigil at Sebokeng township south of Johannesburg on Saturday were still in a serious condition.

Police have arrested 10 people in connection with the attack, in which gunmen fired automatic weapons and hurled grenades at the vigil for a member of the African National Congress (ANC), the main movement fighting white rule.

Sebokeng was reported quiet yesterday after Law and Order Minister Adriaan Vlok clamped a night-time curfew on the township which has seen some of the worst violence.

Continued on Page 21

هكذا من الأصل

NISSAN TO SET UP OWN DEALER NETWORK

Nissan Motor Company plans to establish its own dealer network in the UK, to be operational from early 1992. Nissan is dedicated to providing the highest quality in all its services, from dealer support to customer service.

Here in Europe, Nissan enjoys the outstanding facilities of a leading car manufacturer, offering an exciting range of vehicles and exemplary customer services.

Nissan's comprehensive organisation in Europe encompasses local manufacturing plants at Sunderland in the UK and Barcelona in Spain; design, technology and development centres in the UK, Belgium and Spain; a pan-European parts distribution centre in the Netherlands, and the appropriate in-house financial services.

As well as support such as this to ensure prompt response to their needs, dealers will enjoy selling a superb range of vehicles; the brand new Primera, Sunny and Micra, for example; the stunning 300ZX, Maxima, 200SX, Prairie and Patrol; and the hard-working Pickup, Urvan, Vanette and Cabstar.

Nissan's range is evidence of our dedication to quality; a dedication enshrined in the corporate philosophy you'll see below. We would like to extend a welcome to dealers who share our belief in that philosophy, to join Nissan's team for the 1990's.

For more details, please contact us at the address below. All correspondence will, of course, be treated in the strictest confidence.

Dealer Development Department, Nissan Europe N.V. (London), 5 Arlington Street, London SW1A 1RA. Telephone: 071-409 7988.

NISSAN

Corporate Philosophy

Our first commitment is to customer satisfaction. Through diligent efforts to develop new customers and expand our customer base we are contributing to the ongoing progress and enrichment of society.

هكذا من الأصل

Latvians prepare to defy Soviet troops in Riga

LATVIAN civilians yesterday rallied in their thousands to guard vital buildings in the capital, Riga, against attack from Soviet troops and tanks, as the commander of Soviet forces in the Baltics declared that the republic must submit to Soviet rule, Reuter reports from Riga.

The Latvian government went into a crisis meeting last night, saying it expected a move by the Soviet army and the Communist party to topple it.

"I am convinced the attack will come tomorrow... this is the end of democracy," said the republic's minister of government affairs, Mr Karlis Licis.

Latvians linking arms stood outside the red-brick parliament building in a human barricade while others cut the city centre off with buses, trucks and snow-ploughs, blocking every road wide enough for a tank or armoured car.

Barricades of wood, iron poles, fences and even old barrels were piled up high in smaller side streets to hamper movements by troops.

Soviet troops were ordered into the three Baltic republics by the Defence Ministry last week to enforce the military draft, and Latvia had been given until noon yesterday to register all youths eligible for conscription.

In Stockholm, Mr Dainis Ivanis, the Latvian vice-president, said he was prepared to form a government in exile if Soviet troops continued their crackdown.

Mr Ivanis spoke after arriving in Stockholm by boat, together with Mr Bronius Kuzmickas, the Lithuanian vice-president. Both said they would stay abroad until conditions returned to normal in the Baltic republics.

The order by General Fyodor Kuzmin, the Soviet Baltic commander, caused consternation at a conciliation meeting called by Mr Anatolys Gorbunovs, the Latvian president, with the republic's political parties.

The general said Soviet law must be honoured and that tens of thousands of Soviet servicemen must be respected.

"I propose confiscating all combat arms from the population, listing all owners of hunting rifles and taking control of the arms of the [Latvian] Ministry of the Interior and customs service," said the general. "All servicemen will defend their rights. They will fight for their rights."

The Latvian president had called the talks with Gen Kuzmin in an attempt to prevent a Soviet army assault on parliament and other buildings.

But the talks, held in the presence of reporters at a Riga city government building, were boycotted by the powerful pro-independence Popular Front and the influential Social Democrat party.

Meanwhile, in an ominous echo of events last week in Lithuania, the small pro-Moscow Latvian Communist party announced its own emergency committee.

"In case the parliament refuses to dissolve itself and the government refuses to resign, the necessity was stressed from the all-Latvian committee of public salvation to take full state power until new parliamentary elections," the official Tass news agency said in a report on a special party meeting.

The committee, under Communist party boss, Mr Alfred Rubiks, also called for direct rule from Moscow and threatened a political strike to begin today.

Republic officials said that statements made yesterday by the army and the Latvian Communist party echoed threats made before the army launched its bloody assault on key buildings in neighbouring Lithuania on Sunday.

Latvian radio appealed to people to keep calm and not to spread rumours.

THE PRESIDENTS of Estonia, Latvia, Lithuania and Russia yesterday issued a statement condemning Soviet action in the Baltic states as a serious threat to their sovereignty leading to the escalation of violence and human casualties, writes Quentin Peel.

Stating their belief that "further development is possible only along a road of radical changes on the basis of peace and democracy", their eight-point statement began with a mutual recognition of sovereignty and claimed exclusive authority for legally elected bodies. "Actions of parallel structures claiming power are illegal", it added.

Use of military force for settling internal problems is condemned as "inadmissible."

They expressed readiness to help each other "where threats to sovereignty arise" and "denounce any instigation of inter-ethnic conflicts in pursuit of political aims."

Latvians, fearful of troops, gather courage by singing the national anthem in Riga

Lithuanians mourn dead as struggle goes on

By Leyla Boulton in Vilnius

LITHUANIANS shared their grief and uncertainty yesterday as the Red Army and a shadowy pro-Moscow salvation committee kept the rebellious republic guessing where they would strike next.

Ten of the 14 people killed when paratroopers stormed Lithuania's radio and television stations lay in state in the palace of sports yesterday.

"My only thought last night was that they should not take the parliament because that would mean my son would not even be allowed a decent burial," said Mrs Galina Janjauskas, herself a Russian by birth.

Her son Roland, shot dead by Soviet soldiers at the television tower, was laid out in an open coffin, his face badly burned by gunfire, his waxen hands clutching a crucifix.

The 22-year-old electronics student had just served three years in the army which killed him. He had gone out to defend the TV station with his bare hands, along with his brother and a girlfriend.

"This is on Gorbachev's conscience. Roland was killed by red fascism," said the boy's father.

Tens of thousands of Lithuanians queued for hours in the snow to pay tribute to the victims of what has been dubbed "Bloody Sunday". The first dead in Lithuania's two-year struggle for independence from Moscow are to be buried tomorrow.

The body of Ms Loreta Osanaviciute, 23, was dressed in a wedding-gown, even though she was unmarried when she was crushed by a tank in front of the TV tower in the early hours of Sunday morning. It is Lithuanian custom to bury unmarried women in wedding dresses.

Mystery still surrounded the intentions of the Red Army, which announced martial law on Sunday morning. Soviet troops yesterday took over a local radio station in Vilnius, after a pledge by military authorities the previous night that there would be no more military action for at least 24 hours.

Mr Juzis Jarmalavicius, ideology chief of the local Communist party, denied a military radio report that he had been named the new prime minister by a national salvation committee.

He said that an "acute political struggle" was still going on in Lithuania and added that the salvation committee's main task now was to prevent further bloodshed.

But it was the same national salvation committee which declared it had taken power after soldiers seized the television tower.

Meanwhile, the Lithuanian parliament, barricaded inside the assembly with a huge unarmed crowd to defend it outside, continued to prepare against becoming the next and final target.

EC threatens Moscow aid cut over Lithuania repression

By David Buchan in Brussels

EC FOREIGN ministers yesterday warned the Soviet leadership that technical aid worth Ecus 400m (£280m) would be suspended if it continued to use force rather than negotiation in Lithuania.

A special meeting of the 12 foreign ministers on the Lithuanian, as well as the Gulf, crises, issued a statement saying that EC states "do not underestimate the difficulty of the situation" in the Soviet Union. That was why the Community last month made concrete aid pledges of up to Ecus 1.15bn in food and technical aid, it said.

But such co-operation was based on "shared values and objectives". "The situation which prevails in Lithuania should not be prolonged in any way or extended to the other Baltic states."

Mr Jacques Delors, the European Commission president, yesterday delivered a combined protest and warning to the Soviet ambassador to the Community, saying the first casualty of any continued Soviet crackdown would be technical aid and a meeting between EC and Soviet officials to discuss it, set for January 24.

Last month the EC agreed on a programme of Ecus 400m in technical assistance (to help such problem sectors as food distribution, transport and energy) this year, as well as up to Ecus 750m in food aid (one third in the form of grant, and two thirds on credit).

The ministers agreed that the food programme, now just getting under way with an EC team in the Soviet Union this week, should continue, although Mr Delors suggested that a second casualty of any persistent repression of the Baltic republics might be food credits.

This strategy of graduated economic response bridged the gap between Denmark, whose foreign minister, Mr Uffe Ellemann-Jensen, strongly supported fellow-Balts by calling for an aid cut-off, and Germany, which was far more cautious.

Mr Jacques Poos, the Luxembourg foreign minister and current EC president, said the Vilnius violence had "evoked memories of Budapest and Prague, though the situation was not exactly the same and more complex".

His British counterpart, Mr Douglas Hurd, said there was no question of the EC going back on its previous policy. "We have always said we hope that President Gorbachev will succeed as a reformer," he stressed.

The UK foreign secretary hoped that yesterday's lull in Vilnius would "be turned into détente and then negotiation, so that we won't again see people being killed in a European city in an attempt to suppress opinion by tanks".

In a radio interview, Mr Hurd said the Soviet Union was in danger of retreating into its "Stalinist shell".

In London, Mrs Lynda Chalker, British minister for overseas development, said any further use of force by Soviet troops against Lithuania could jeopardise western aid to Moscow "very greatly".

In other reactions yesterday:

● Nato said a continued crackdown in the Baltics would damage East-West relations;

● Five Nordic prime ministers sent a protest letter to Mr Gorbachev calling on him and the military to refrain from further acts of violence;

● Japan said it might reconsider its aid policy towards the Soviet Union if the military crackdown on Lithuania was ordered by Mr Gorbachev;

● Ms Yelena Bonner, widow of the late Mr Andrei Sakharov, asked the Nobel Prize committee to delete his name from the list of peace laureates so it did not appear near that of Mr Gorbachev, last year's winner.

YELTSIN APPEALS TO RUSSIAN TROOPS

Excerpts from an appeal by Mr Boris Yeltsin, president of the Russian Supreme Soviet.

"Soldiers, sergeants, officers, our citizens enlisted in the army on Russian territory, and now serving in the Baltic republics!

Today, when our country is living through an economic and political crisis, and the healthy forces of society acting within legal, constitutional limits, are seeking ways out of the grave situation, you may be given orders to move against legitimately created state bodies, against peaceful civilian population defending its democratic achievements.

You may be told that your help is needed to bring about order in society. But can the breach of the laws and constitution serve order? It is exactly to this breach you are being pushed, by those who seek to settle political disputes, relying on the force of military units.

Before attacking civilian sites on the Baltic land remember your home, the present and future of your republic and your people. Abuse of law, abuse of the Baltic nations, will create a new serious crisis in Russia itself, and in the conditions of the Russians living in other republics.

Carrying out orders to attack civilian objects, and using arms against civilians, you turn into a tool of dark, reactionary forces.

We believe in you, officers and soldiers of Russia. We believe that for you, as for earlier generations of Russian warriors, the highest moral values are unfailingly dear, such as honour, prowess, courage and loyalty to the Motherland.

Let us remember the lessons of history, which says that a wrong step taken today brings harm not only to those who make it, but to the future generations as well.'

Pavlov is new Soviet premier

By Quentin Peel in Moscow

MR VALENTIN PAVLOV, 53-year-old Soviet finance minister, was yesterday confirmed as prime minister by the Soviet parliament. His appointment means that a technocrat, rather than a party official, now heads the Soviet government which will be very much under the direct control of President Mikhail Gorbachev.

An economist and former tax inspector, Mr Pavlov is a safe but unimaginative choice for premier, a job which will clearly be overwhelmingly concerned with the reform of the collapsing economy.

In that role he has shown himself to be more of a bureaucrat than a reformer; but an enlightened bureaucrat who has accepted the ultimate goal of switching to a market economy, cautiously, not radically.

He told members of the Supreme Soviet that the current state of the Soviet economy was "unsatisfactory", and he saw his job as the first head of the new cabinet of ministers – a streamlined version of the former council of ministers – capable of "improving the difficult situation in the country and smoothing the transition to market relations".

Mr Pavlov was one of the first members of the former government to propose opening the Soviet Union to direct foreign investment, instead of simply joint ventures. Yesterday he was more cautious, saying: "We invite all who want to take part in developing this vast state to join us in work and co-operation . . . assuming that these people will come to us with pure intentions."

Moldavian fears grow as troops manoeuvre

By Ariane Genillard, Kishinev, Moldavia

FEARS GREW in Moldavia yesterday that it would suffer the same fate as Lithuania as Red Army troop manoeuvres were observed in the republic and across its border with the Ukraine.

Denouncing the Soviet intervention in Lithuania, Moldavia's President, Mr Mircea Snegur, warned that "force should not be used for drafting young people in the Soviet army" and that "any presidential action by Gorbachev in Lithuania would have negative consequences in various parts of the Soviet Union, including our republic". An estimated 42 per cent of Moldavian conscripts have deserted from the Soviet army.

Colonel Nicolae Chirtoaca, head of the republic's defence department, confirmed that a battalion of soldiers stationed in the south of the republic had been recently moved to the capital. He said this battalion was made up of soldiers from Russia.

In a radio broadcast in Tiraspol, the capital of the Moldavian region of Transdniestria which also borders Ukraine, the commander of the military district of Odessa said that "the Red Army will do all it can to prevent Moldavia from breaking away from the union."

Resistance to a potential Red Army intervention has started. The Moldavian Popular Front, the nationalist movement which spearheaded the republic's independence efforts, appealed on Sunday "to the whole Moldavian population to stand against any kind of imperialist union treaty and defend any vital places in the republic." The front is believed to have an unofficial militia numbering up to 30,000 volunteers.

The front also hides some of the deserters who have until January 16 to join the army. A three-day grace period granted by the government to deserters, which was to end Sunday night, was extended to Wednesday by General-Major Victor Nazarov, liaison officer in Kishinev for the Red Army in Moscow.

Crackdown may bring wave of anti-Soviet sentiment

By Our Foreign Staff

THE sight and sound of Soviet tanks firing into crowds of unarmed demonstrators in Vilnius over the weekend has reopened thinly covered scars throughout eastern and central Europe.

It risks provoking a wave of anti-Soviet sentiment which could greatly complicate the task of building a new relationship with the countries so recently released from Soviet military, political and economic domination.

The refusal of the Soviet leadership to concede the restoration of sovereignty to the three Baltic states whose fate was to fall under Soviet control five years earlier than the rest of eastern Europe has led to angry public reactions and carefully phrased official condemnation.

Czechoslovaks, scarred by the memory of their own traumatic invasion by Soviet forces in 1968, are pouring money into a special bank account set up by the Prague government for aid to the Baltics. President Vaclav Havel, who intends to send an open letter to the Soviet president, addressed the nation on television and described the Soviet leader as a man who still had communist patterns of thought and was trying "to retain the unretainable".

In Budapest, where hopes of independence from the post-Stalinist thaw were crushed by Soviet tanks in 1956, the government led by Mr Jozsef Antall condemned the Vilnius killings but refrained from criticising Mr Gorbachev personally. Hungary, like Czechoslovakia, is anxious to secure the withdrawal of Soviet troops by the promised deadline of June this year.

In Poland, whose communist-controlled national army declared martial law in 1981 to forestall a feared Soviet military intervention, protesting crowds gathered outside the Soviet embassy. But newly-elected President Lech Walesa cautiously declined to comment officially.

Administration worries about parallels with the crushing of Hungary's uprising during the Suez crisis in 1956

Washington tries to read signals through the Vilnius smoke

By Lionel Barber in Washington

THE SOVIET crackdown in Lithuania could not have come at a worse time for President George Bush, and many officials in Washington wondered aloud yesterday whether Moscow meant it to be so.

General Brent Scowcroft, Mr Bush's national security adviser, was the first to draw parallels with 1956, when the west's preoccupation with the Suez crisis encouraged the Kremlin to crush the Hungarian uprising. Certainly, there are troublesome comparisons.

President Mikhail Gorbachev telephoned Mr Bush just 24 hours before Soviet tanks steamrollered unarmed demonstrators in Vilnius. By his own admission, the US president spent most of his time talking about the Gulf and thanking Mr Gorbachev for his support.

Mr Bush now finds himself beset by crises on two fronts, and every sign suggests that he intends to deal first with Iraq. The first task is to determine to what extent the crackdown was ordered by Mr Gorbachev; the second is to see whether the hard line is likely to be repeated in other rebellious republics.

The White House said yesterday it was reviewing economic aid to Moscow, a reference to possible suspension of $1bn in credit guarantees approved last month for Soviet purchases of US commodities. The Moscow summit set for February 11-13 was also in doubt. However, this had already become uncertain because of the threat of war in the Gulf.

A postponement or cancellation of the summit would further delay the planned Start treaty to cut strategic nuclear weapons by 30 per cent. Equally important, the Baltic crackdown (coupled with evidence of Soviet attempts to circumvent the Conventional Forces in Europe treaty) could encourage Congress to delay ratifying the accords and possibly impose sanctions of its own.

The larger question concerns the future of US-Soviet relations which for the past three years have proved highly productive in terms of arms control accords, the liberation of eastern Europe, and the settlement or near resolution of regional conflicts.

Soviet officials have tried to reassure their US counterparts that a co-operative foreign policy will continue. The US has countered that co-operation and assistance must be contingent on political and economic reform.

Even before Mr Eduard Shevardnadze resigned as foreign minister, the warning signals had been flashing: a disintegration of central authority in Moscow; signs of an anti-western backlash within the Soviet policy-making apparatus; and the emergence of a hardline conservative alliance embracing the KGB, Red Army, and elements of the Russian Orthodox Church, all rallying around the slogan of saving the Union.

In one revealing incident last December in Houston, Mr Baker confronted Mr Shevardnadze with evidence that the Red Army was moving conventional weapons east of the Urals to avoid them being destroyed under the CFE treaty. Mr Shevardnadze is said by a senior US official present to have sighed and declared: "In that case, they (the military) are lying to me."

The dominant view within the administration is that Mr Gorbachev has been forced to make concessions to the military in order to cling on to power, and his days as a reformer are almost certainly over. The question is whether there is anything the US can do to salvage perestroika.

Last year's package of US assistance was partly aimed at "getting Gorbachev through the winter", but it was also aimed at encouraging reformers to pick up the stalled economic liberalisation.

The difficulty for the US is that all the western talk of imminent economic collapse inside the Soviet Union may have made it easier for the conservative forces to gain strength. Equally, the temptation to deal with the Soviet leadership in Moscow – rather than cultivating other emerging sources of power in the republics – has inevitably hitched the administration to the Gorbachev wagon.

Attali brings colourful vision to the world of men in grey suits

The chairman of the European Bank for Reconstruction and Development has a missionary zeal, writes Judy Dempsey

HIS critics chastise him for his lack of banking experience. His supporters say he is exactly the kind of individual needed to bring the countries of eastern Europe back into the western fold.

Mr Jacques Attali, chairman of the new European Bank for Reconstruction and Development (EBRD), shrugs off all these sentiments. He is determined to make the new bank work. He is equally determined to convince the governments of eastern Europe that it is their bank too.

Attempting to reconstruct the economies of eastern Europe is a mammoth task. Mr Attali, who was appointed to head the bank last year, seems to thrive on the energy and the commitment. The bank's first visit to Bulgaria, last Thursday and Friday, is not untypical of the energy and commitment he invests into any project in which he becomes involves.

He is passionately interested in the future composition of the new Europe.

His is not the world of the "men in grey suits", so often characterised by the restrained and cautious language used by the banking community. Mr Attali brings his listeners into the workings of the bank whose origins go back to October 1989, when President François Mitterrand of France first mooted the idea. "Where do you begin with reconstructing the countries of eastern Europe?" asked Mr Attali.

"The environment has to be tackled – these countries had to adopt regulations laid down by the European Community; accountants have to be trained; managers had to be found and taught. The first things these countries must begin to understand is that they need strategies. That is our role. We must begin to understand their needs; we must know who is in charge in these countries. In the following weeks, we will have sent missions to all these countries. We will leave some advisers there and then we can build strategies."

Mr Attali is quick to point out that the EBRD is not modelled on the World Bank, nor is it a development bank. "I say to the new governments in eastern Europe: I am not here to give you money, but to advise you. We tell these countries that they are partners – what is good for you is good for Europe. That's why we are different from the World Bank – we do not want to let these countries think they belong to the Third World."

All the countries of eastern Europe hold a share in the bank. Bulgaria holds 0.79 per cent of the bank's capital stock; the countries from the European Community, including the European Investment Bank and the EC Commission, 51 per cent, and the US 10 per cent.

Mr Attali has no illusions about the difficulties in rebuilding Europe. But his goal is to link the two Europes together physically. He talks about establishing east-west links in the form of roads, railways, pipe lines. But he also believes, despite recent developments in eastern Europe, it is a grave mistake to exclude the Soviet Union.

"There is already a brain drain taking place from all these countries. This is a great tragedy," he comments. More than 100,000 young Bulgarians have left their country over the past year.

In Bulgaria, Mr Attali told students that the market economy was not exclusively tied to the black economy. All kinds of consumer goods are finding their way into the black market in these weeks of acute shortages. "The market should not be identified with short-term profit," he told them.

He spoke of the need for a competent civil service, of the need to break out of the old egalitarian attitudes and of the need for risk-taking. He said it would not be easy. Neither will the tasks facing the EBRD.

Attali: passionately interested in the future of a new Europe

Congress to keep tight rein on funds for S&L rescue

By Peter Riddell, US Editor, in Washington

THE US Congress looks likely to grant only limited temporary funding to sustain the rescue of the savings and loan industry, following widespread public and political concern about the soaring cost to taxpayers.

Mr William Seidman, chairman of the Resolution Trust Corporation, the federal agency responsible for the rescue, warned last week of the urgent need for more funds to stop the rescue rate from slowing further.

There is, in practice, an open-ended obligation ultimately to provide money under the federal deposit guarantee system.

Legislation to provide necessary funding for the RTC failed in late October as Congress went into recess. The rescue has only been sustained, at a lower than intended level involving the taking over and closing of failed thrifts, by exploiting a legal loophole allowing temporary extra borrowing.

This source of funds will run out next month and Mr Seidman has warned that, without new finance, the RTC would "not be able to do its job" and funding would have to come solely from assets it sold.

This will increase the ultimate cost to taxpayers as losses will mount before troubled thrifts are taken over.

The RTC had previously estimated it needed $100bn (£52.9bn) in the current 1991 fiscal year, of which $40bn would be for losses on failed thrifts and $60bn for working capital to cover the cost of acquiring and holding assets before they could be sold.

Mr Seidman has said that "the amount [for fiscal 1991] will be somewhat less than that probably, because we won't be able to catch up on what we've lost as a result of this delay."

Leaders of the Senate banking committee want to move rapidly on the request for additional finance. But there is rank-and-file opposition, especially in the House, to providing such a large amount of taxpayer support, some in the form of additional borrowing powers.

Consequently, the most that is likely to be approved is a limited and temporary request for finance, perhaps lasting until the summer.

Brazilian businessmen in child death probe

By Christina Lamb in Rio de Janeiro

THE Brazilian government is investigating the alleged involvement of businessmen in financing "death squads" to assassinate children living on city streets.

The accusation of business involvement was made by Mr Alceni Guerra, minister of children, at a meeting with businessmen in Rio de Janeiro. He refused to reveal which concerns were being investigated but said that four were in Rio and others were in São Paulo, Bahia and Amazonas.

The execution of street children in Rio by organised gangs was brought to light last year by Amnesty International, the London-based human rights organisation, which claimed large-scale police involvement.

Local groups allege the death squads are financed by businessmen and hoteliers anxious to "clean up" Rio streets and reduce petty crime, which has reduced tourism.

Rio has the biggest concentration of Brazil's estimated 7m street children and the country's worst crime rate. About 445 street children were assassinated in the city last year, according to the National Movement for Street Children.

Collor's inflation crusade wins few converts

Few Brazilians want to make sacrifices for the long-term good, writes Christina Lamb

WHEN the directors of a Brazilian bank last week reviewed their projections for this year they decided to raise their estimates for inflation. There were smiles all round – the higher figure would mean an increase in profits of $5m.

This is the kind of mentality which President Fernando Collor de Mello has to overcome if his mission to tame inflation is to succeed. Ten months into the most extreme economic adjustment plan in Brazil's history – involving freezing the cash in many of the nation's bank accounts – the indicators do not look good.

Inflation, now at 20 per cent a month, is significantly lower than the 80 per cent the Collor administration inherited last March.

But the monetary tools on which the government is relying have hurled Brazil into its worst recession for a decade while attempts to defeat the "inflationary culture" and convince Brazilian society of the need to sacrifice for the long-term good have so far proved ineffective.

This is partly the result of Mr Collor's aloofness and the inexperience of his government. Likening himself to a lone hunter stalking a tiger, the 41-year-old president thought he could defeat inflation with the single bullet of his shock economic plan, predicting it would fall to 6 per cent by last month.

Mr Antonio Kandir, secretary for economy policy, claimed yesterday that Brazil could not survive without a national understanding. But this realisation may have come too late.

Only after inflation started spiralling in September did the government begin negotiating with businessmen and unions on a social pact.

So badly were these talks handled that the government succeeded instead in uniting business and labour against it. Similarly in its crusade against generally unpopular multinationals and big business the economic team has contrived to cast itself as the public villain.

Negotiations with Congress have also been a fiasco, with politicians repeatedly defeating government attempts to end monthly wage indexation to price rises – a 30-year-old practice which the government believes is responsible for inflation.

Fernando Collor: started year with new package of spending cuts

Mr Collor is now so politically isolated that he is wooing Mr José Sarney, the former president who commands the support of 60 parliamentarians, by restarting Mr Sarney's $2.4bn (£1.26bn) north-south rail project.

Mr Collor condemned the project in his election campaign and the country cannot afford it.

Equally telling, scarcely a military ceremony goes by without Mr Collor's attendance, suggesting an attempt to quieten rumblings in the ranks of the men who until 1986 ruled Brazil.

The president has set in motion important long-term reforms, such as the opening of the Brazilian market, which cannot easily be turned back. But the emphasis he placed on defeating inflation and the unrealistic targets set make it only too easy to judge him harshly over the short term.

Brazil ended 1990 registering its highest annual inflation rate, at 1,800 per cent, a fall of 11 per cent in industrial activity in the country's key industrial centre, a contraction in gross domestic product of 4 per cent, a 21.22 per cent decrease in the harvest and a 68 per cent fall in the value of the stock market.

The danger is that the resulting social pressures might force the government to compromise. Mr Carlos Langoni, a former central bank governor, says: "The problem is the gap between objectives and results. My fear is that if results don't appear sooner the government will revert back to artificial measures, such as price freezes and subsidies which do not tackle the basic problem."

Mr Joel Korn, area manager of Bank of America, agrees: "The battle against inflation has to be a non-negotiable position. There is no room for gambling against the failure of this government in defeating inflation because to do this is to gamble against our own future."

But that is exactly what many people are doing, perhaps unaware of how high the stakes are. Businessmen generally agree with the Collor mission to kill inflation – but they want it to be at someone else's cost.

Rather than cut profits they have cut production and implemented ludicrously high price rises to hedge against future hyper-inflation or price freezes. Mr Paulo Protasio, head of Rio's Commercial Association, explains: "Everyone wants to end inflation, but they don't know how to live without it."

Without significant support in any section of society, can the Collor government win over a people deeply sceptical of economic plans, having seen three fail in the last four years?

Many would say the latest plan can already be written off, particularly after Ms Zelia Cardoso de Mello, the economy minister, said last week that the country needed to find a new way to measure inflation, suggesting the fight is already lost.

Mr Collor's task has not been helped by the Gulf crisis, and a doubling in the fuel import bill. But by initially setting too short a timespan for his plan, he has lost credibility and tested the patience of society.

Mr Collor started the new year with a new package of spending cuts. But taxes remain indexed and the success of the last round of job cuts in the administration remains in doubt. In Rio de Janeiro, for example, the Institute of Sugar and Alcohol, officially declared extinct in March, was still operating yesterday.

With so many doubts, the government may be unable to bring monthly inflation down from double figures without a further economic shock. The government strongly denies any such intention but Mr Ibrahim Eris, the central bank governor, admitted: "It's going to be much harder than when we began to bring down inflation."

Bush nominates advocate of tax cuts for Fed post

PRESIDENT George Bush yesterday nominated Mr Lawrence Lindsey, a White House economist and advocate of tax cuts, to fill a long-standing vacancy on the Federal Reserve Board, Michael Prowse writes from Washington.

Mr Bush also nominated Mr David Mullins as vice-chairman of the Fed, a post that has been vacant since the resignation of Mr Manuel Johnson last June. Mr Mullins, who became a governor last year, was Mr Bush's first appointee to the Fed.

The appointments, which are subject to confirmation by the Senate, are unlikely to influence strongly the Fed's conduct of monetary policy. Mr Johnson, like Mr Lindsey, was a supporter of supply-side economics.

Mr Lindsey, 36, has a doctorate from Harvard University where he was student of Mr Martin Feldstein, a former chairman of the Council of Economic Advisers under President Ronald Reagan.

While at the White House, Mr Lindsey helped formulate the administration's plans for reforming the banking industry. He has not taken a strong stance on monetary policy issues.

Mr Mullins, 44, is a former Harvard Business School professor and senior Treasury official.

Menem loses debt adviser

A CONSERVATIVE economic adviser to President Carlos Menem of Argentina resigned last week, it emerged yesterday, John Barham writes from Buenos Aires.

Mr Alvaro Alsogaray, leader of the militantly anti-Peronist UCD party, was an adviser on foreign debt to Mr Menem's Peronist government. He embodied the president's remarkable political heterodoxy and his conversion to economic liberalisation.

Neither Mr Alsogaray nor the government would explain the move, although some analysts said Mr Menem might be planning to shuffle his cabinet. It is unlikely the government will abandon its free-market policies.

Mexico signs Central American free-trade accord

By Tim Coone in Managua and Rebecca Doulton in Mexico City

CENTRAL American states and Mexico have taken a tentative step towards integrating their economies by signing a framework free-trade agreement.

Under last week's accord, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica will negotiate sectoral agreements bilaterally with Mexico, leading to free trade in a range of products which will grow over the next six years.

Under an expanded version of the San José accord, originally signed in the early 1980s, Mexico and Venezuela have also agreed to sell oil on highly concessionary terms to the five countries. This will help ease the region's severe balance of payments problems.

The deal is particularly significant in the light of the Gulf crisis. A sharp rise in oil costs would cripple the fragile economies of Central America, which already run an annual balance of payments deficit in goods and services of about $3bn (£1.58bn).

Mr Pedro Aspe Armella, Mexico's minister of the Treasury, said the total cost of oil imports would be returned to the five nations via two credit routes. About 20 per cent of the resources would go directly into the central banks of each nation and the remaining 80 per cent to the Inter-American Bank of Development (IABD) to finance development projects under moderate interest rates and five-year repayment schemes.

If the price of oil exceeds $27 a barrel the 20:80 ratio will change to 30:70, thus increasing direct deposits to central banks. This financing mechanism, which does not contemplate discounts or subsidies, is eliminated if oil prices fall below $17 a barrel.

The free-trade agreement will be implemented more slowly but significant advances are expected within a year. The Nicaraguan foreign ministry said yesterday that each country would initially seek complementary trade agreements with Mexico.

Nicaragua and Mexico were already negotiating a deal under which a broad range of products would have free access to the other's market.

هكذا من الأصل

WORLD TRADE NEWS

Japan to raise fine for cartels

By World Trade Staff

JAPAN is to raise the maximum penalty for participating in an illegal cartel, in a move designed to soften complaints about the operation of its anti-trust policy expected to be lodged by the US in bilateral trade talks this week.

The talks, in Tokyo on Thursday and Friday, will review the so-called Structural Impediments Initiative (SII), under which the US has been urging Japan to modify the management of its economy to make it more open to imports.

Anti-trust questions are high on the agenda although, according to Reuter reports from Washington, the US will also focus on Japan's failure to encourage foreign investment in its economy, and the complex web of interlocking shareholdings between major companies.

In a separate report from Tokyo, Reuter said the new maximum fine for participation in illegal cartels would be raised to 6 per cent of turnover from 2 per cent.

The maximum will apply to manufacturing companies with a capital of Y100m ($751,800) or more. A lower scale of penalties will apply to smaller manufacturing companies and those in wholesale and retail distribution.

UK announces export-risk system

By Peter Montagnon, World Trade Editor

BRITAIN yesterday formally announced the introduction of a controversial new system for managing the portfolio of long-term risks insured by its Export Credits Guarantee Department.

Known as the portfolio management system (PMS), the new arrangements will result in increased premiums for more difficult markets where contracts are signed after the start of the next financial year in April. The arrangements also involve changes to the availability of cover.

The new system has been in preparation since the start of last year.

Entirely separate from the government's equally controversial plans to privatise the short-term credit insurance operations of ECGD, it has sparked deep worries among exporters that stiff terms for export credit insurance would make them uncompetitive on world markets.

A particular fear has been that cover might be withdrawn for some markets, deemed of significant importance to UK capital goods exporters, such as Hong Kong and Southern Africa, where ECGD already has a high exposure.

Mr Peter Lilley, Secretary of State for Trade and Industry, said in a written parliamentary statement that the government continued to attach great importance to capital goods exports and to maintaining "a viable and stable framework of ECGD support".

However, he said that ECGD's deficit had already risen to over £2.5bn ($4.8bn) as a result of claims paid in the wake of the developing-country debt crisis.

Further substantial claim payments, estimated at around £2.5bn, are expected over the next few years.

The claims have to be financed by the taxpayer, he said. "It is important that future risks are underwritten on a prudent basis."

Under the portfolio management system, premium rates would be better matched to risk, and, although some would rise, those for better quality risk would fall.

The government had also taken decisions on the availability of cover for certain markets, but details would not be revealed publicly, Mr Lilley said.

The purpose of PMS is to provide a more disciplined and prudent framework for taking decisions about ECGD support for exports, he said.

Export credit officials have stated in the past that it is based on a careful mathematical assessment of insurance risk. This would allow the government better to weigh national interest reasons for giving insurance support to exporters, Mr Lilley added.

Computer makers may have to raise prices

EUROPE'S computer makers face new pressure on margins and may be forced to raise prices because of a rise in costs of Japanese memory chips, Alan Cane writes.

They were told late last year that the average price of the basic unit of computer memory (a one million-bit DRAM) would rise 15 per cent after Japanese manufacturing costs rose.

The cost of Japanese-made semiconductor memory is controlled in Europe by a controversial formula which relates chip price to manufacturing cost calculated from information supplied by 11 main Japanese chip makers.

The formula, which gives a minimum or European reference price, was agreed after a Commission inquiry into alleged dumping by Japanese makers. But European computer makers believe the formula distorts the chip market to Japanese advantage.

Mr James Eastlake, trade policy analyst for Dataquest market consultancy said: "Where European makers planned for a 5-10 per cent reduction in DRAM costs in the first quarter of 1991, the European reference price has forced Japanese vendors, who supply nearly 70 per cent of the world's DRAMs, to increase European prices".

Dr Bruno Lamborghini, Olivetti vice-president, planning, said it was impossible to understand how Japanese manufacturing costs for one million bit DRAMs could have risen. Olivetti would have to accept increased pressure on already tight margins.

Mr Sadru Nanji, components manager for ICL, the UK-based mainframe maker owned by Fujitsu, said the higher cost would inevitably affect the company's competitiveness.

He understood that the Japanese were anxious to move customers from one million bit DRAMs to four million bit DRAMs which offered higher profitability but it was not an easy change to make.

Czechs and French in power accord

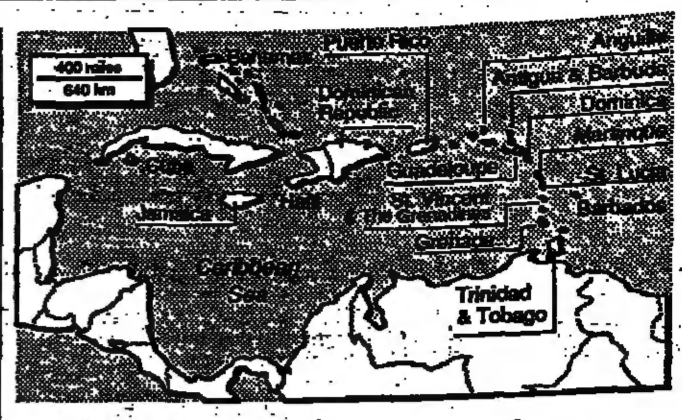
CZECHOSLOVAKIA has asked France for advice on modernising its nuclear power industry, under a technical co-operation accord announced yesterday, William Dawkins reports from Paris.

France's state-controlled Commissariat à l'Energie Atomique (CEA) is to help its Czech equivalent, CSKAE, update eight Soviet-designed reactors, co-operate in designing and building future power plants, and advise on safety and public information. Prague is considering building six more reactors.

The deal confirms that Czechoslovakia will keep on developing nuclear energy, despite opposition from ecologists. It advances French business links after Renault, the state-owned car maker, lost to Volkswagen of Germany as a partner for Skoda.

CEA will help to train Czech nuclear engineers, while Cogema, its nuclear fuel subsidiary, will study possible fuel recycling from Soviet-designed reactors and advise on modernising a uranium mine near Prague.

Framatome, the French state-controlled nuclear reactor builder, is negotiating possible joint nuclear plant construction with Skoda-Pilsen and Vitkovice, the Czech boiler and steam turbine makers.



Caribbean pins its hopes on the fickle tourist

Canute James on how the holiday trade could avoid recession

CARIBBEAN hoteliers and the administrators of the region's tourism have decided that the sun could still shine on their share of the leisure travel trade despite developments in the Middle East, increasing air fares and changes in the parity of major currencies.

While the region will hold on to travellers from the traditional North American market, there are indications that the European and Far East (mainly Japanese) market could grow rapidly in the next few months.

Slightly more than last year's 10.8m stopover visitors are expected by the region this year. Visitor arrivals grew by 43 per cent between 1985 and 1989, compared with growth of 23 per cent for world tourism.

It is in uncertain times such as these that the region's weak economies need fickle tourism. The trade earned regional economies $7.8bn in 1989, bringing some sanity to national accounts burdened by growing merchandise deficits. It relies, however, on the health of the industrialised economies.

"We are concerned at the possibilities of a slowdown in the US economy, and the possible effects this could have on travel," said Mr James Smith, governor of the Central Bank of the Bahamas where tourism accounts for about 70 per cent of gross domestic product. "There is also concern at increased operating costs in the industry as a result of energy price increases caused by the Gulf crisis."

Mr Jean Holder, executive director of the Caribbean Tourism Organisation, agreed that recent international developments represent a threat to Caribbean tourism. He said, however, that it is not only the region, but also its competing resorts, which are threatened. "This forces prospective travellers to think twice about taking a foreign holiday," he added.

Many hoteliers share his conclusion that developments such as the Gulf crisis make the Caribbean appear a safer holiday destination than the Mediterranean, particularly for North Americans who traditionally account for six out of every ten tourists visiting the Caribbean.

But concerns about safety of resorts can eat into the Caribbean's market share. The slowdown in the rate of growth in recent years in the volume of visitors from North America, particularly the United States, has been attributed to a growing tendency to stay at home. More Americans, say Caribbean officials, are tending to take domestic holidays, with several states promoting themselves as alternatives to a foreign holiday.

The region hopes to make up for this with increasing numbers from Europe because of the strengthening of European currencies against the dollar, to which Caribbean currencies are pegged.

"We charge about $100 per room," explained the manager of a Barbadian hotel. "Nine months ago a visitor from Britain would pay £66 ($127) to stay the night. Now that visitor pays just over £50. In a week that is a significant saving." Europeans tend to stay longer than Americans and spend more, say hoteliers.

Mr Holder said there could be a benefit from both ends. While there is an advantage for Europeans because the region's currencies are pegged to the dollar, the Caribbean could also be attractive to North Americans willing to take a foreign holiday because they will find a European holiday more expensive.

All this could be meaningless, of course, if war breaks out in the Middle East, affecting not only heightened concerns for personal safety, increasing economic problems for the industrialised countries, more expensive travelling and the likely reduction in airline seats from the United States if aircraft are requisitioned for use by the military. And the coming winter may not be harsh enough to drive shivering hordes southward in search of the sun.

Even in periods of international calm, Caribbean tourism faces some potential problems which could hamper its share of traditional markets. The political changes in eastern Europe have opened up an alternative destination for many prospective travellers from North America, particularly those who have their ethnic roots in these countries. Mexico continues to be a destination which the Caribbean fears could do most damage to the region's trade. Hoteliers admit that a Mexican holiday is a better bargain.

Yet even within the region there is increasing competition for a greater share of the market. The Dominican Republic is expanding its capacity, currently at about 20,000, to 25,000 by 1992. The country has been attracting increasing numbers of European charters and the sector, which now accounts for 12 per cent of the country's GDP, is expected to earn $775m this year, $100m more than last year.

Amid its mounting economic problems Cuba, which eschewed tourism after Mr Castro's revolution, is creating joint ventures with foreign investors such as the Sol Melia group of Spain, to build 5,000 new rooms, bringing the island's capacity to 18,000. The embattled economy earned $200m from foreign visitors last year, with most coming from Canada, Latin America and western Europe. Cuban officials say when the proposed expansion in capacity is complete, the island could earn $500m per year.

The expansion in capacity by these two countries does not unduly worry some of their neighbours. "The type and quality of service we offer should protect us from competition from places such as Cuba and the Dominican Republic," said Mr Norman Bodden, the Cayman Islands government member responsible for tourism, aviation and trade.

"The opening up of Cuba and expansion in the Dominican Republic will affect some countries, but we are English-speaking with a large market in the United States, which is English-speaking."

Macao to join Gatt

MACAO has become the 101st member of Gatt after Portugal declared the tiny enclave at the mouth of the Canton River had full autonomy for its external commercial relations, William Dullforce reports from Geneva.

Gatt also received a declaration from Peking confirming Macao will continue to meet requirements to be a Gatt member from December 20, 1999, when it reverts to China.

China, still negotiating its own return to Gatt, has guaranteed Macao 50 years of non-interference, as with Hong Kong.

Gatt rules have been applied to Macao since 1962.

With total exports of $1.4bn in 1988, Macao is a significant exporter of textiles and clothing, mainly to the US, Hong Kong, and the EC.

هكذا من الاصل

UK NEWS

Brussels says single market threatened by UK attitude

By Diane Summers, Labour Staff

THE completion of the European internal market by the end of 1992 is in jeopardy because of the UK's refusal to agree to elements of the European Commission's social action programme, Mrs Vasso Papandreou, European commissioner for social affairs, warned yesterday.

She accused the UK of being negative in principle to commission proposals and challenged the government to prove its figures on the alleged costs of reforms.

Mrs Papandreou met Mr Michael Howard, employment secretary, for talks in London yesterday. She said before the talks that she had "noticed a change in style" since Mrs Margaret Thatcher had been replaced by Mr John Major as prime minister. However, she had yet to see "if it was going to be a change in substance as well," she said.

She added that she wanted the UK to adopt "a more positive attitude on social issues" and play a more constructive part in European affairs.

The government has been unwavering in its opposition to reforms relating, in particular, to part-time work and working time.

Mr Howard said after the meeting that it was clear from the most recent meetings of the EC social affairs council that the UK was far from being isolated in its opposition to the proposals.

"I urged the commissioner to follow the lead set by the European summit in Rome last December, whose conclusions called for priority to be given to proposals to improve health and safety at work, and those on which rapid progress can be made towards full agreement in the Council of Ministers."

Mr Howard added that the government supported a social dimension to the EC but that had to be focused on creating and sustaining employment.

He said: "Some of the commission proposals will add unnecessarily to business costs and reduce flexibility – we must not forget that European businesses have to compete in world markets."

Bank of England says anti-inflationary measures must continue

Tories urged to stand by tough monetary policies

By Rachel Johnson, Economics Staff

THE government was last night warned not to relax its tough monetary policies until it had achieved "a decisive downturn" in UK inflation.

Mr Robin Leigh-Pemberton, the governor of the Bank of England, encouraged the government to resist calls for a cut in interest rates or a lower exchange rate for sterling in spite of more gloomy news from Britain's retailers.

A tough stance was the only way to treat the "running sore" of inflation, Mr Leigh-Pemberton said. To relax prematurely would build up inflationary pressures and severely dent the credibility of policy, he said.

Latest figures showed that annual growth in retail sales volumes last year was at its weakest since the 1981 recession, in spite of an unexpected bounce in December.

Mr Leigh-Pemberton acknowledged that there was an inevitable price to be paid for keeping rates deliberately high for two years.

"Sadly, 1991 is likely to be a hard year for everyone, and a painful one for many... there have already been company failures. And it would be foolish to pretend there will not be more," he told Scottish bankers at a meeting in Glasgow.

The Central Statistical Office's data for 1990 showed that sales volumes in 1990 as a whole were just 0.75 per cent higher than in 1989, the smallest increase in annual sales growth since the 1981 recession. At the time of strongest consumer spending in 1988, retail sales volumes were growing at an annual rate of 6.9 per cent.

In December, the month which normally accounts for almost a fifth of the year's sales, volumes were down 0.5 per cent compared with the previous year.

The Retail Consortium, representing 90 per cent of the industry, said that it was apparent throughout Christmas trading that adverse economic conditions were having a significant effect and consumers were being more cautious.

Following a depressed November, however, sales rose by 1.9 per cent on the month – much higher than the 0.1 per cent fall which the market had forecast.

Government officials stressed that December figures were especially erratic, as sales volumes over the five-week December period were generally very heavy. The fact that shoppers had evidently flocked to early December sales had helped to make adjusting the seasonal figures more difficult than usual, the CSO said.

City economists also tended to dismiss the December figure – the second largest month-on-month increase since May 1989 – as inconsistent with other indicators and industrial surveys showing consumer confidence to be extremely subdued.

The Treasury said it was better to analyse the underlying trend rather than the monthly figures. Sales in the three months to December were 1.1 per cent lower than in the previous three months. "We cannot distinguish whether this is a nascent recovery or a seasonal blip," it added.

● British bank lending in sterling rose by £10.45bn in the three months to the end of November 1990, compared with £8.76bn in the previous quarter according to Bank of England figures yesterday.

The total outstanding lending in sterling to UK residents at the end of November was £380.79bn. Over the three-month period lending to the personal sector for house purchases rose by £1.2bn, or just 1 per cent.

During the three months lending to UK residents in other currencies increased by £1.44bn compared with a rise of £2.86bn the previous quarter.

British teachers told to have no time for history after 1950

By Norma Cohen, Education Correspondent

HISTORY lessons in England will roughly end at the year 1950, following a draft parliamentary order on the history curriculum submitted yesterday by Mr Kenneth Clarke, education secretary.

In response to a parliamentary question on the new National Curriculum, Mr Clarke, refering to the teaching of history post-1900 said he wished to make it clear "that the focus of study of this unit should be the first half of the twentieth century."

The proposal, in draft form, will be open for consultation until 15 February with a final decision to be made in March.

Mr Clarke said his decision reflects the view that "it is right to draw some distinction between the study of history and the study of current affairs." Recent events, such as those beginning in the 1960's where the participants are still alive, fall into the category of current affairs, the government explained.

There is no specific place for the study of current affairs, although some of it could be incorporated into the geography curriculum.

While teachers will not actually be constrained from teaching pupils about more recent events, they are discouraged from emphasising them. The DES said the 1950's cut-off point will be revised as time goes by.

In other respects, Mr Clarke said he is to adopt the national curriculum in history largely as recommended by the independent National Curriculum Council. It would focus names, dates and places.

BRITAIN IN BRIEF

France warms to hard Ecu

MR John Major, the prime minister, won a warm reception from France for British proposals to develop the European Currency Unit as a common European currency.

The government drew considerable encouragement from the reaction to its plan when Mr Major met France's President Mitterrand in Paris. French ministers were "rather positive", according to one official.

Mr Major appears to have persuaded the French government that a plan such as the "hard Ecu" could be a useful stepping stone before full economic and monetary union – even if the UK has not yet committed itself to the goal of a single currency.

BBC forced to make cutbacks

The BBC has been put under pressure to make substantial cuts following the announcement that the television licence fee will rise next year by 3 per cent below the inflation rate. All owners of television sets are required by law to buy a licence, the money from which funds the BBC's two channels.

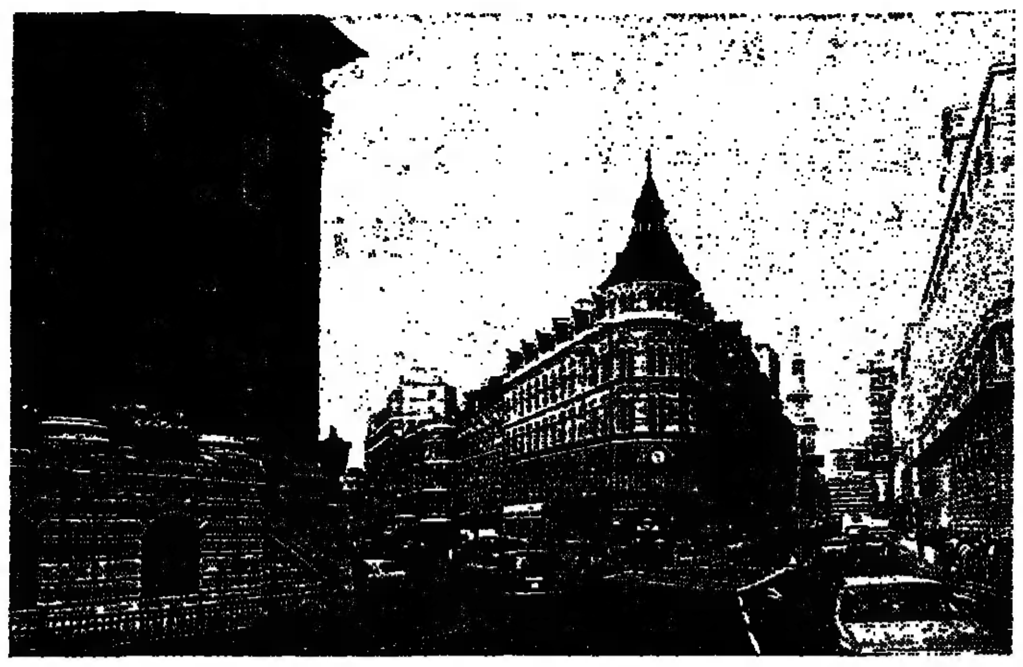
Mr Michael Checkland, BBC director general, believes the new licence formula to be "challenging but manageable".

Companies told to pay promptly

Businesses that consistently fail to settle bills on time have been told to pay up promptly by Sir Brian Corby, president of the employers' organisation, the Confederation of British Industry.

His initiative follows a survey, conducted jointly with Cork Gully, the insolvency arm of Coopers and Lybrand Deloitte, which shows that late payment of bills is endangering the survival of one in five small businesses.

The survey suggests that 20 per cent of companies consider it normal to wait for more than 75 days beyond the specified payment date before settling invoices.



Lords assess City plans to demolish Victorian site

The House of Lords, the UK's upper chamber, has been asked to approve Lord Palumbo's scheme to demolish eight listed Victorian buildings in the City of London. The plans to knock down the buildings on the Mappin and Webb site (above) and erect a modern structure – likened by the Prince of Wales to a "1930s wireless" – were blocked by the Court of Appeal last March. The disputed buildings, opposite the Bank of England, were described by a government inspector as one of the best, if not the best, group of surviving commercial Victorian buildings in the City.

Graduate jobs in decline

Graduates are likely to find it much more difficult to secure jobs in 1991, particularly if they lack vocational degrees, according to Mrs Helen Perkins, chairman of the Association of Graduate Recruiters.

Forecasts of demand for graduates from September 1991 roughly equal those of 1990, but the pool of applicants has risen by 4.9 per cent.

Mrs Perkins said actual demand in 1990 had been 5 per cent below forecast, a pattern likely to be repeated this year. "Overall, the downturn is in the region of 10 per cent, unless employers substantially cut hiring plans," she said.

Rail crash statement

The design of the rolling stock involved in last week's Cannon Street train accident may have contributed to the extent of injuries among passengers, Mr Malcolm Rifkind, the transport secretary, has admitted. One person was killed and 248 injured in the crash.

However, when he was pressed by MPs from all parties to speed up the introduction of modern carriages on Network South East, Mr Rifkind defended both British Rail's investment programme and the organisation's safety record.

In a statement to parliament, Mr Rifkind said that, although the carriages were among the oldest in service, there was no reason to suppose this was a factor in the accident.

Housing market recovers slightly

Signs of a slight recovery in the housing market are indicated by a national survey of estate agents published by the Royal Institution of Chartered Surveyors.

The institution said: "Although the signs are not evenly spread through the regions, there is evidence that confidence is beginning to build up, particularly at the lower end of the market, with prices stabilising and a rise in the number of instructions and enquiries."

Newspaper wage freeze

The Guardian and Manchester Evening News newspapers are to impose a 12-month wage freeze on all employees amid worries about a sharp loss in advertising revenue. The Guardian expects to lose £12m in the next financial year.

Leaders of the National Union of Journalists at the Guardian said they would consider industrial action if they could not persuade management to adopt an alternative strategy.

The Guardian's directors decided on Friday to impose a wage freeze and give notice on the terms of redundancy. The newspaper has been seeking voluntary redundancies among journalists.

هكذا من الأصل

Edinburgh to get £43m optical fibre calls system

By James Buxton, Scottish Correspondent

BRITISH Telecom, the UK telephone and communications company, has embarked on a £43m project which will make Edinburgh the first city in Britain to have a completely digital telecommunications system based on an optical fibre cable network.

The company said yesterday it would have the most advanced network in Europe when the project is completed in March next year.

Instead of upgrading the telecommunications in the city by incremental steps over a five-year period, as is happening in other UK cities, BT has chosen Edinburgh to be its pioneer city with a state of the art telecommunication system.

The project involves completing the installation of digital switching equipment in 11 of the city's exchanges, covering all but the periphery of Edinburgh; laying an optical fibre cable network between the exchanges; renewing local connections between exchanges and business or domestic customers, often using optical fibre cables; and replacing the equipment of customers who rent from BT to make them compatible with the digital system.

The project, named Edinburgh Telezone, means that business and domestic customers will have easy access to high speed, high quality digital communications services such as videophone and high speed fax.

"This is a project to test what happens when you install all the innovations in telecommunications in one place," said Mr Bill Furness, BT's general manager for the East of Scotland.

"It is the blueprint other cities are going to follow," he added.

BT chose Edinburgh because of its relatively compact scale, with a population of 450,000 and 150,000 BT customers, including several important financial institutions. No government money is involved in the project.

Technology, Page 14
Liberalisation spreads across the world, Page 16

Power companies plan £100m coal import terminal

By Gerard McCloskey

AN AGREEMENT to finance and run the largest coal importing terminal in the UK is close to being signed by PowerGen and National Power, the two electricity generating companies due to be privatised next month.

The £100m terminal, which will be on the Humber estuary on England's north east coast, will be run as a joint venture with Associated British Ports.

The port is at the centre of the generating companies' plans to lessen their dependence on supplies from British Coal, the nationalised coal supplier.

The terminal has an initial design capacity of 12m tonnes a year which could be expanded at a later date. The two companies have nearly 14,000MW of combined capacity within 50 miles of the terminal, together capable of consuming 35m tonnes a year.

The terminal is due for first operation in the second half of 1993 shortly after the generators' three-year coal supply contract with British Coal ends.

PowerGen and National Power are each planning to take 40 per cent in a company which is to equip and run the terminal, with ABP holding the remaining 20 per cent.

ABP will provide the infrastructure – costing around £50m – and the new company will fund the necessary unloading and handling equipment, which is also expected to cost around £50m.

Further details about the terminal, which will transform the ability of the power companies to import coal, are in the latest issue of International Coal Report, a Financial Times newsletter. Apart from cutting at least £5 a tonne from the cost of importing via mainland Europe, the port will be able to take vessels of up to 150,000 tonnes, compared with 20,000 tonnes on the Thames (the UK's main importing region) and 70,000 tonnes into Liverpool

Planning permission for the terminal, near Immingham on the south side of the Humber, was granted last year despite opposition from British Coal and the National Union of Mineworkers.

Cost of raw materials falls

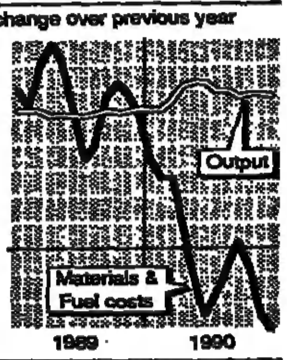
A LARGE drop in the prices of raw materials and fuel purchased by manufacturers has given the sector much-needed relief, adding to a decline in inflationary pressures at factory level, writes Peter Marsh.

Provisional figures from the Central Statistical Office yesterday indicated that raw material and fuel prices fell by 3.1 per cent in December compared with the same period in 1989. This is the biggest year-on-year drop for this indicator since November 1986.

The decline in input prices is explained largely by sharper competition among materials suppliers, partly due to tough trading conditions linked to recessionary forces.

The general fall in these prices has been offset only by the large year-on-year increase in prices for petroleum products, caused by the Gulf crisis.

UK producer prices



It provides UK manufacturing, which in recent months has been hit by weak demand both in the UK and in export markets, with a few crumbs of comfort as the sector attempts to ride out the recession.

Manufacturers have been particularly affected by falling prices for metals, especially aluminium, steel and copper.

Northern Ireland tries to escape recession

Economic hope is replacing the gloom in Britain's poorest region, writes **Kieran Cooke**

Soft landing: state aid should ensure the survival of concerns such as Shorts and Harland & Wolff (pictured above)

LOOK at most economic statistics and Northern Ireland comes bottom, or near the bottom, of the chart.

Unemployment rates consistently exceed those in others parts of the UK by between 4 and 8 percentage points. Output is lower than in most other regions. In 1989, GDP per head in the province was 24 per cent below the national average and more than 40 per cent below the south-east of England. Incomes are the lowest in the UK – gross full time male earnings averaged £231 per week in the province in 1989 compared to £313 in the south-east.

Such statistics have led the EC to classify Northern Ireland as the only underdeveloped region in the UK. Yet, on the face of it, many parts of Northern Ireland do not appear to be disadvantaged.

It is hard to walk the streets of Belfast without tripping over a new shopping centre. London second hand car dealers travel to Northern Ireland to buy because prices are low. More new BMWs are sold per head in Northern Ireland than anywhere else in the UK.

Mr Michael Smyth, a senior lecturer in economics at the University of Ulster, describes the Northern Ireland economy as "topsy turvy" - part of, but not really integrated with, the rest of the UK economy.

"The boom that happened almost everywhere else in the mid-80s was only a whimper here," said Mr Smyth. "That means that growth in Northern Ireland was much slower. But it also means that as things go into recession elsewhere, we have less far to fall."

While much of Northern Ireland's economy has lagged behind general UK developments, performance in some areas has been impressive. Industrial output over the last 18 months has risen by about 8 per cent, while there are 10,000 less unemployed.

Privatisation of two of Northern Ireland's biggest concerns – Shorts and Harland and Wolff – has been completed, much to the relief of the government. Though privatisation was achieved only after a considerable input of government funding, both enterprises now seem to have taken on a new lease of life.

The growth in consumer spending in Northern Ireland continues. Shopkeepers in central Belfast reported a 30 per cent increase in sales in the 12 months to August this year compared to the previous period. Though sales have dipped recently, there is still far more bustle in Belfast than in most other UK cities. In Londonderry a £60m shopping complex is being built in the city centre.

The scale of growth in the consumer sector has led to some peculiar developments in the structure of the workforce. While Shorts, with more than 7,500 employees, is still the top employer in the province, supermarket chains such as Wellworth and Stewarts are near the top of the employment league – well ahead of the more traditional employers in clothing and light industry.

Women workers predominate in the retail sector: long term male unemployment remains one of Northern Ireland's greatest problems.

The ongoing spending boom in the province is largely due to that fact that though wages are low in comparison with the rest of the UK, people generally have a higher proportion of disposable income. The dramatic mid-80s leap in house prices failed to percolate through to Northern Ireland. The average mortgage in the province is £27,500; a mortgage of £40,000 is the exception and would be for a substantial property.

About 40 per cent of Northern Ireland's workforce is employed in the public sector. Wages from such jobs, at national pay rates, go further in Northern Ireland.

"For those people with a job, life here is pretty good," said one senior government official. Northern Ireland has escaped many of the public expenditure cuts of the rest of the UK – partly due to local political considerations. Medical and education services are reputed to be the best available in the UK. In 1988-89 the subvention from the Exchequer, excluding costs of the security forces, was £1.7bn.

While public spending has promoted growth and a consumer boom, it has also tended to hide real problems and foster attitudes of economic dependence on central government. Policy is changing. Mr Richard Needham, Northern Ireland's Minister for the Economy, says the emphasis now is far more on increasing competitiveness rather than strictly on job creation.

"Northern Ireland has been too inward-looking. Now we are emphasising marketing and management skills, research and development – and just urging people to look outwards, not just to the mainland but to Europe and other markets," said Mr Needham.

While efforts are being made to loosen the state's influence on the local economy, the government is determined to play a leading role in many areas.

A policy document issued in the middle of the year emphasised the government's determination to push through various management and marketing programmes, redirecting state funds to specific projects.

Mr Needham says the new policy marks a change of direction for the province. "In a small economy like this you can quickly see the changes. There are now thriving industries, both big and small, all over the province, supplying not just the mainland but Europe and other markets," said Mr Needham.

"Despite all the political problems there is every reason to feel confident about Northern Ireland's future."

Continued on Page 21

MANAGEMENT: The Growing Business

Rescue and recovery is the resolve

Charles Batchelor on the positive approach to recession-hit companies

In the 1981 recession the company which looked likely to [illegible] unable to meet its commitments to its bankers could [illegible] to be put into the hands of a [illegible] In the current recession there is a greater chance [illegible] the business in difficulties will be asked – at [illegible] expense – to call in a team of accountants [illegible] see [illegible] they can achieve a turnround of its fortunes.

"The philosophy of lenders has changed," comments Bill Roberts, head [illegible] advisory services at accountants Ernst & Young. "Rather than assume the worst there is a greater tendency [illegible] for an [illegible] review."

One reason for this shift has been the passing of the [illegible] Insolvency Act which [illegible] given troubled companies greater breathing space by allowing them to go into administration rather than receivership.

The result [illegible] been a sprouting of turnround or recovery teams alongside the traditional insolvency departments at many of the larger accountancy [illegible] Often this [illegible] no more than the grouping together under one title of the firm's existing range of investigation and consultancy services. But [illegible] accountants' decision to re-package their services in this way reflects a fundamental shift in attitudes by many lending institutions.

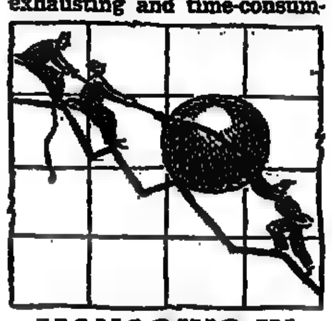
The venture capital industry, provider of equity finance to many growing businesses, has also adjusted to the tougher economic climate by devoting greater resources to monitoring its investments. Nick Jolliffe, an accountant with experience of corporate [illegible] work, joined the 22-strong executive team [illegible] Lloyds Development Capital six months ago to provide help to troubled companies in its portfolio.

Venture capitalists have an advantage over banks in that they usually have closer and more frequent contact with the companies in which they are invested and they do not charge for their advice [illegible] companies in difficulties. "We are a free resource and, unlike a team of accountants, we are already known to the management," says Jolliffe.

This does not mean, however, that the venture capitalists will be any more forgiving in their judgment of management failings. "We try to avoid conflicts but that does not mean we are soft," says Jolliffe.

There will also be a financial cost if the venture capitalist is only ready to provide extra funds on more onerous terms than his original investment.

For managers, dealing with investigating accountants is an unnerving experience. "It is an exhausting and time-consum-

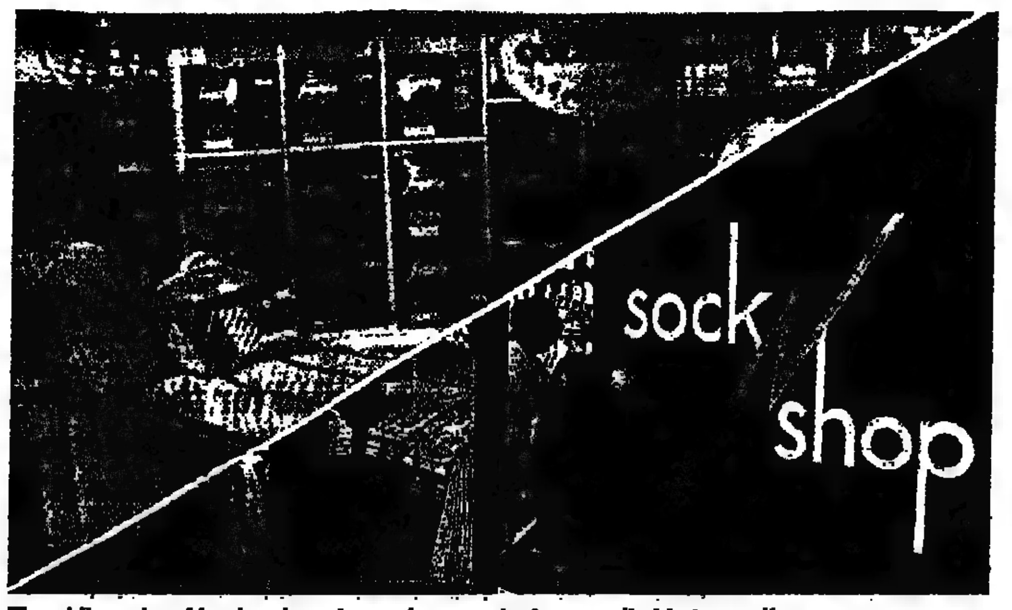


MANAGING IN RECESSION

ing process [illegible] a company," says Mark Batten, partner in the corporate reconstruction department [illegible] accountants Price Waterhouse.

The directors may not have the financial projections or analyses which the accountants need. Senior managers are often concerned that news of the investigation will unsettle the middle managers and shop-floor [illegible] who may fear their jobs are at stake.

"Initially, in most cases there is suspicion," comments Hew Dalrymple, a consultant in the turnround unit of accountants KPMG Peat Marwick McLintock. The manage-



The philosophy of lenders has changed: accountants are called in to see if a rescue can be effected. In the cases of Colorcoll and Sock Shop this failed

[illegible] of grievance is often fanned by the fact that even though its bankers have called the accountants in it is the [illegible] which foots the bill.

"They face extra fees [illegible] a time when they [illegible] strapped for cash anyway," says Dalrymple. "But if the accountants are any good the managers realise that they can help them."

A common trigger for [illegible] bank to call in the accountants occurs when a company [illegible] its borrowing or overdraft limit and is forced to go back [illegible] bank for more. "The company may have missed a profits forecast or be providing what the bank regards as unreliable or inadequate information," [illegible] Mark Batten. "The management may have decided to take the company off in a new direction and the bank becomes nervous."

So what do [illegible] do when they come in? "We go in for a day to answer the question: 'Can anything [illegible] done to save this company?'," says Dalrymple. "If the answer is 'Yes, probably,' then we go ahead." "We start with a reasonably lengthy discussion with the management about their business," says Bill Roberts. "[illegible] might have seen management accounts but we would not at this stage have done any research of our own."

If the company can be saved, the accountants will move on to a detailed study of the financial numbers. "We would review the business's current financial position, its prospects and projections," says Mark Batten. "We would look at the commercial assumptions and at what could go wrong. We would also review whatever proposals the management had to turn the situation round."

"The bank wants to know if [illegible] management's figures [illegible] factually accurate and whether, in our opinion, they are achievable," comments Dalrymple. "It wants to establish the business's immediate cash position and its future needs for new [illegible]." Once the accountants have the basic information they would [illegible] the implications [illegible] their findings for the business and attempt to [illegible] with the management a plan to [illegible] its difficulties. "We like to [illegible] agreement from the directors on the facts, or raise areas of [illegible]ment and to test out our conclusions with them," says Bill Roberts.

Speed is important to a company facing cash-flow problems and [illegible] accountants would expect to complete their work – depending on the size [illegible] company, the efficiency of its information systems and the complexity of the problems – within one to two weeks. Their report would then normally go both to the bank and to the management.

One recent assignment carried out by Bill Roberts at a company with turnover [illegible] began with five to six days of fieldwork to dig out the financial information and a total of [illegible] weeks for completion of the report. If the bank agrees to continue to back the business [illegible] reading the report, the accountants may continue to monitor the company's progress – by visits or by reviewing its monthly management accounts – for a further three to six months.

The cost of this process will depend on the amount of bank finance at stake, the size of the company and the complexity of [illegible] problems. If management co-operates and the financial information systems are in reasonable order, costs will be reduced. A £4m turnover company recently faced a bill of £10,000-£15,000 for a turnround review, says Dalrymple.

A team of two to three, often comprising [illegible] consultants as well as accountants, should be enough to investigate the affairs of a company with turnover of £10m-£15m but larger companies might involve a team of five to 15 people.

The [illegible] are keen to point out that if the [illegible] under review can be saved the costs may well be recouped by improvements [illegible] profitability or the discovery of opportunities to save on tax, for example.

In spite of the rapid leap in the number of business failures the greater willingness of the banks to call in turnround teams has cut the number of receiverships and liquidations, the accountants say.

"In the past we would be able to save 40 per cent of the companies we were called in to help but that figure is now moving to 60 per cent because people realise the merits of getting us in earlier," comments Hew Dalrymple.

Previous articles [illegible] this series appeared on November 21, 30, December 4, 14, 18, 31 and January 11.

Seven in ten venture capitalists prefer manufacturing

By Charles Batchelor

Manufacturing emerges as the most popular sector for the second time running in a survey* [illegible] month [illegible] the investment preferences of British venture capitalists.

Nearly [illegible] per cent of venture capitalists surveyed chose manufacturing as one of their [illegible] favoured investment options, an even larger number than the [illegible] per cent in June 1990, according to Levy Gee, a firm of accountants and business advisers. Within manufacturing, engineering was ranked as the most favoured option.

The second most highly rated business sector was services, appealing to 58 per cent of venture capitalists against 54 per cent previously. Distribution, wholesale and retailing businesses were again [illegible] joint third but while distribution and [illegible] investments declined in popularity retail investments won ground.

The increased attractiveness of manufacturing, services and retailing may reflect a counter-cyclical approach to investments, says Graham Woolfman, author of the survey.

Engineering increased its lead as the most favoured sector within manufacturing (see table) appealing to 53 per cent of venture capital funds against 47 per cent last time.

Venture Capitalists' Preferred Industries

	Jan 91	June 90
Engineering	1	1
Communicns	2	2
Health Care	3	3
Chemical	4	5
[illegible]	5	6
Electronics	6	4
Pubg & Edcn	7	[illegible]
Comp Services	8	7
Comp Software	10	10
Hi-Tech	11	11
Bio-Tech	12	14
Finl Services	13	13
Comp Hardware	14	12
Advg & Mktg	15	15
Entertainment	16	16
Hotels & Rests	17	17
Pty & Constn	[illegible]	18
Film Industry	[illegible]	19

In geographical terms the Midlands replaced London and the south east as the preferred region for investment. Internationally, continental Europe won ground appealing to 33 per cent of investors against 30 per cent previously. It was nevertheless surprising that only one-third [illegible] UK [illegible] place a high priority on continental investments, the survey noted.

Development capital remained the most favoured investment [illegible] followed by management buy-ins and buy-outs. Despite suggestions that problems in the buy-out sector would prompt a move to earlier stage investments, there was no evidence of this; start-ups ranked an unchanged sixth and [illegible] investments eighth in popularity.

The findings reflect the views of 163 venture capitalists compared with 158 in the first survey. Totals exceed 100 per cent because respondents were allowed to list more than one "top choice".

*Contact Levy Gee, 100 Chalk Farm Road, London NW1 8EH. Tel 071-267 4477.

Bringing the law to bear

Charles Batchelor gives the CBI's views on late payers

Late settlement of debts has become such a serious issue for small and medium-sized businesses that [illegible] Confederation of British Industry (CBI) is to reconsider its opposition to the introduction of legal remedies.

Nearly one in five of the managers questioned in a survey* conducted for the CBI by insolvency specialists Cork Gully said that late debt payments were threatening the survival of their business. This compares with just one in ten when the CBI last surveyed its smaller firm members in 1986.

Eighty per cent of those polled thought their debts would be settled more quickly if there were a statutory right to charge interest on overdue payments.

However, a separate survey† carried out by accountants Pannell Kerr Forster concluded that many firms could improve their payments position if they did more to encourage the prompt [illegible]ment of bills.

A number of small business lobby groups has pressed for tougher legal remedies for businesses hit by slow payments – including the right to interest on overdue payments – but the CBI has up to now been opposed. "We have always taken the view that a right to levy interest would create more problems than it solved but we will look at the options again," [illegible] Tom O'Connor, chairman of the CBI Smaller Firms Council.

Smaller businesses suffer because they must finance the shortfall in cash-flow; managers must spend time dealing with the problem; and businesses cannot plan ahead. They also incur costs in employing credit-control staff and pursuing late payers.

The measures adopted by companies to pursue late payers are the sending of regular reminders (by 88 per cent of [illegible] businesses polled); refusing to take new orders (61 per cent); employing a credit controller ([illegible] per [illegible]); instructing a solicitor to threaten legal action ([illegible] per [illegible]); using a debt-collection agency (24 per cent) and using a factoring company (2 per cent).

The CBI survey found that many companies were reluctant to take a strong line on overdue debts because they did not want to alienate customers. This reluctance to take a stand over being paid on time is highlighted by the Pannell Kerr Forster survey. This found that three out of five companies did nothing to ensure customers payed on time.

**Late [illegible] of Trade Debts. CBI, Centre [illegible], 103 New Oxford Street, London WC1 1DU. Tel 071 379 7400. 16 pages. £10 to non-members.*
†Contact Pannell Kerr Forster, New Garden House, 78 Hatton Garden, London EC4.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

SENIOR EXECUTIVES

Senior executives who can rightfully lay claim to having a deep interest in assisting in the career development of their peers are invited to send for details of an opportunity for substantial additional income for part-time periodic consultancy. No financial investment is involved. We are also interested in hearing from senior executives with the proven ability to influence decisions at board level.

Respondents are asked to write to the Managing Director at the offices of our professional advisors enclosing their name and address and appointments held, indicating their area of interest, also any company or organisation to which they do not want their details sent.

Please reply under reference: JMS

To: 11 Oxshott Rise, Cobham, Surrey KT11 2RW

ARE YOU CONSIDERING BUSINESS MIGRATION TO AUSTRALIA?

Perhaps you are interested in business expansion into the pacific Rim?

COURT & CO (Chartered Accountants/Accredited Business Migration Agents) in conjunction with Natwest Australia Bank Ltd will be available for consultation from 16-27 February in London, Manchester, Edinburgh and Dublin. For further information please contact:

Miss Lisa Haines, National Westminster [illegible] PLC, International Businesses, Australia Desk, [illegible] Bishopsgate, London EC2M 3UR. Phone: (071) [illegible] 4614, Fax: (071) [illegible] 4600

"DEAL FINDER" SOUGHT

Successful investor group seeks experienced individual capable of identifying under-performing or under-valued manufacturing or distribution businesses for acquisition. Targets might, but not necessarily, be in the electrical or engineering sector.

Individual should be capable of [illegible] financial evaluation and have had similar previous experience together [illegible] a demonstrable track record.

[illegible] reply in the strictest confidence to:

M Marsh Esq., Collyer-Bristow (M57), 4, Bedford Row, London WC1R 4DF

FOOD INDUSTRY BUSINESS OPPORTUNITY

Well known canning factory in Northern Greece near Salonica specialised in processing and packing fruits in cans as well as tomato products in aseptic pack and tin cans with a total capacity of 20,000 tons of finished product, is looking for either a merger acquisition partner or a marketing sales partner (well established food company with a distribution network) to conclude a marketing agreement covering: i.) quality supervision/control of the 1991 crop ii.) pack and sale of the goods to be produced Aug./Sept. 1991 and destined for the U.K. market.

Non-UK based companies interested shall also be considered for the U.K. as well as for other European markets.

Write Box H7897, Financial Times, [illegible] Southwark Bridge, London SE1 9HL.

HELP ME TO RUN A PLC

I run a small public company in the energy business, based in Canada, but controlled from Europe. I need a U.K. partner, an ambitious self-starter, to help me clean it up, develop its asset base and get a listing in the U.S.. The ability to raise working capital (initially through a private placement of convertible loan stock) and find suitable acquisitions will be an advantage, but commitment is absolutely essential. Principals only, please, stating briefly how you might suit, to Box H7873 Financial Times, One Southwark Bridge, London SE1 9HL.

INVESTMENT REQUIRED for telecom promotions company. For further details write Box H7892, Financial Times, One Southwark Bridge, London SE1 9HL.

EAST ANGLIAN WINE MERCHANT WANTS TO BUY VINTAGE PORT & CLARET

TELEPHONE RICHARD HARVEY-JONES [illegible] 626072 FAX 0473 626004

Regus

Your office in

PARIS, BRUSSELS, BUDAPEST, COPENHAGEN, WASHINGTON D.C., LONDON, MADRID, WARSAW, NEW YORK, LOS ANGELES, SAN FRANCISCO

Immediately available. Fully furnished and equipped offices. Secretarial support services. Conference & Meeting Facilities. Prestigious Locations.

Tel London + 44 71 [illegible] Brussels + [illegible] U.S.A. Toll free [illegible]

Property Finance

Sterling [illegible] currency funds available [illegible] fixed, [illegible] on investments and owner-occupied. Low start and deferred interest schemes available.

JOHN CHARCOL COMMERCIAL, 195 Knightsbridge, London SW7 1RE. Tel 071-589 2626 and ask for Commercial Department

ESTABLISHED U.K. MANUFACTURER OF FOOD DISTRIBUTION EQUIPMENT

For use by Hospitals, Social Services, [illegible], Prisons, etc., [illegible] merger with European [illegible] turing company to take [illegible] of [illegible] market conditions in 1992

Write to Box H7853, Financial Times, One Southwark Bridge, London SE1 9HL.

THIRD WORLD DEBT

We are a Company specialising in International [illegible] and undertake the Expediting [illegible] delayed by [illegible] Central Banks.

Please write with a few pertinent details to: Box H7874, Financial Times, One Southwark Bridge, London SE1 9HL.

LONDON DOUBLE DECK HORSE DRAWN OMNIBUS

Unique opportunity [illegible] own and or [illegible] one of the [illegible] restored horse drawn Omnibus's. Suitable for corporate entertaining with a large area for advertising and carrying up to 26 people.

[illegible] 04747 [illegible]

Venture Capital REQUIRED

Equity investment up to £500,000 required for outstanding business opportunity in unexploited market. Principals only reply in writing to Box number H7903, Financial Times, One Southwark Bridge, London, SE1 9HL. This advertisement has been approved by a firm authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

CASH FLOW PROBLEMS? DEBT RESTRUCTURING?

For immediate help in solving your problems, contact:

PHONE: 071 283 7671 FAX: 071 283 4869

[illegible] p.l.c. (A Member [illegible])

NEW MEDIA OPPORTUNITY

Unique Electro/Mechanical Display [illegible] patented [illegible] Sub-[illegible] in development now requires financial support to expand product marketing [illegible] exploit a [illegible] advertising/promotional concept. [illegible] marketing [illegible] U.K. [illegible] exciting [illegible]

Genuine enquiries [illegible] 7121.

Investor Required

Well established [illegible] Hotel/Leisure complex seeks equity investor up [illegible] £400[illegible]

[illegible] contact [illegible] Livesey, Executive Partner, Hall Livesey Brown and Co., Chartered Accountants, 5 Claremont Bank, Shrewsbury, Shropshire. [illegible] 1RW. Tel: 0743 67761, Fax: 0734 67764.

FINANCE AVAILABLE

- Commercial and Industrial Mortgages
- Development Capital, Corporate Finance
- Purchase of business Finance

LEEDS TRUST PLC, Cavendish House, St Andrews Court, Leeds LS3 1LA. Tel: 0532 442060

CORPORATE FINANCIAL ADVISORS Offers a wide range of financing options/solutions [illegible] growing businesses. [illegible] INTEGRATED [illegible]PORA[illegible] [illegible] Britannia Place, Bath Street, St Helier, [illegible] C.I. Tel/Fax 44.245.460173 or [illegible]

£300,000 REQUIRED [illegible] UK business has completed test marketing of new innovative product line selling to top 50 UK companies. Injection of £300,000 required - [illegible] return [illegible] Write Box H7898, Financial Times, [illegible] Southwark Bridge, LONDON, SE1 9HL.

MERGER PCB MANUFACTURER

Well established PCB manufacturer in modern West Midlands premises with BS9000 approval and sales of about £700,000 to high grade customer base, would like to discuss future joint development with like-minded company.

Replies from principals only please write to Box No: H7876 Financial Times, One Southwark Bridge, London SE1 9HL.

MASTERS GOLF

Join our return visit to The Masters at Augusta in April. Experience the beauty of Georgia in Springtime and watch the best golfers in the world.

Newcomers to London Limited, 10 The Mall, London W5 2PJ. Tel 081-579 7101 Fax 081-567 9411 Tlx 935476

CZECHOSLOVAKIAN CONSULTING GROUP

Bilingual Professionals with excellent Business/Political connections [illegible] consulting [illegible], business opportunities and analysis, & Joint Venture [illegible]

Inquire at U.S. Fax: 303 780 8772 or Tel 303 790 0336

House Builder/ Designer/Civil Engineer

[illegible] proven [illegible] and living in Kent seeks a financial partner to take advantage of the temporary very low land prices.

Write Box H7881, [illegible] Times, One Southwark Bridge, [illegible] SE1 9HL.

CHANNEL ISLANDS

Offshore Company Formation and Administration. Also Liberia, Panama & BVI etc Total offshore facilities and services.

For details and appointment write: Croy Trust Ltd., Belmont House, 2-6 Belmont Rd, St Helier, Jersey, C.I. Tel: 0534 78774, Fax: 0534 35401 Tlx 4192227 COFORM C

Oil Properties For Sale - USA.

Fully Managed. U.K. Tax Allowances. Minimum £5,000.

Tel: [illegible] 9020 Fax: [illegible]

MORTGAGES

On Commercial & Industrial Properties at prime rates 5/10 years. Interest only. Minimum loan £500,000.

Apply to: HIRSCH, Europe's leading Finance Consultants, HIRSCH INT (Financial Services) LTD, 46 Appleby House, St James's Place, London SW1A 1PA. Tel [illegible] 5851 Fax: 071-489 8419

HOTEL C[illegible] COMPANY requires working capital to progre[illegible] Please telephone 081-318 [illegible] for details.

KUWAIT Experienced [illegible] Deal Maker/Salesman available for [illegible] tion opportunities Tel 071-622 8832

UNQUOTED INVESTMENTS WANTED

Private investor seeks to purchase unquoted investments. Areas of particular interest include:

- Shares in existing BES
- Units in Enterprise Zone Property Trusts

Principals only Write Box H7908 Financial Times, One Southwark Bridge, London SE1 9HL.

HIGH QUALITY COLOUR PAPER

Award wining colour printing business with established customer base, and turnover capacity of £2 million, seeks business partner with annual colour printing [illegible] of £250,000 [illegible] joint [illegible] Minimal capital required in return for equity.

Write to Turl Douce Davies Chartered Accountants, 1a King Square, Bridgwater, Somerset, TA6 3DG.

INVESTMENT REQUIRED

£50K needed for last stage developement of unique international consumer product. Marketing in place.

Enquiries to: Inventions To Industry. Tel: (0296) 84141. Quoting Ref. TOP/1

RUSH! Newly created wholesale facility

Wanted fast selling goods on consignment basis. Storage space 8000 cu ft. Excellent bank reference. Vim Kathuria, Roma International Portsmouth. Tel: 0705 817432, Fax: 0705 872650

BUSINESS SERVICES

[illegible] for expansion by factoring Specialist [illegible] service tailor made for the [illegible] with cash flo[illegible] Limited [illegible]

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Business and Asset TEL 071 262 1164.

DIRECT MAIL LISTS & SERVICES 100's of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogue. Market-scan, Freepost, Chichester, Sussex. Tel 0243 786711

FINANCIAL AND MARKETING accounting problems solved on an assignment or parttime basis. Mike Davies: 081-848 1472.

DUE TO THIS UNFORTUNATE economic climate we are able to offer telephone systems recently recovered from [illegible] in liquidation, from as [illegible] All [illegible]

BUSINESS CAN FIGHT RECESSION with cost-effective public relations. Call 081-900 0475 anytime for your free promotional plan.

BUSINESS SERVICES

IS 'REMOTE CONTROL' ACCOUNTING THE ANSWER TO YOUR DILEMMA?

Has rapid expansion brought human resource problems? Is paying for your accountancy department one of your biggest costs? Is your accounting as accurate and efficient as you'd like?

CHART ASSOCIATES are currently providing a full accounting administration and computing service for a large plc with bases throughout the UK. A stable [illegible] of high quality staff and low operating costs are giving them an efficient cost effective [illegible]

Why not consider transferring all or part of your accounting function to a remote, off-city centre location with all its advantages of savings [illegible] property and staffing overheads? Our team of high calibre professionals could be the answer you are looking for.

Contact Ian Mackay at Chart A[illegible], Whitehouse Road, Springkerse, Stirling FK7 7SR. Tel: 0[illegible] 50033 for further details on how we can help you.

CHART associates

FINANCE FOR EXPORTS IMPORTS, UK TRADE & STOCK

BACK TO BACK LETTERS OF CREDIT

Finance suited to your requirements

ELKA FINANCE LTD, 8/14 [illegible] Road, London N1 5QJ. Tel: [illegible] 729 0405, Fax: [illegible] 739 2952

If you require a prime office in London's Mayfair but do not wish to have a long term commitment, we have the answer.

Please contact: Nightingale Secretariat, 3 Berkeley Square, London, W1X 5HG. Tel: 071-629 6116 Fax: 071-491 4811

COMPANY FORMATIONS UK & WORLDWIDE

(With your own choice of name) Or READYMADE LTD CO'S UK & OFFSHORE (Available immediately)

SERVICES CAN INCLUDE:
- Nominee Director/Secretary
- Registered Office Address
- Full Company Administration
- Corporate Restructure
- Personal & Corp. Tax Consultancy
- Business Advice & Accountancy

SEARCH SERVICES:
- Ltd or Non Ltd Company Search
- Personal Search, CCJ's & Bankruptcy

Competitive fees, no hidden extras. Free advice & brochure.

FALCON BUSINESS SERVICES LIMITED, Falcon House, 24 North John St, Liverpool L2 [illegible]

GO PUBLIC IN 1991

Corporate Registrars International Plc Public Limited Companies incorporated in [illegible] working days (or from [illegible]) complete with trading certificate. [illegible] advice on all aspects of Plc ownership. £750 [illegible] VAT.

Tel: 0222 382115 Fax: 0222 382118

YOUR OFFICE [illegible] GERMANY – DUESSELDORF –

Fully equipped luxury offices and conference rooms to rent per hour, day, week or month. Telephone including private line, fax, telex. International professional staff at your disposal including translation. Corporate domicile for Germany and Europe. Prestige mailing address.

OFFICE + SERVICE-CENTER, Adlerstraße 174 • D-4000 Düsseldorf 1. Tel. 0211/35 77-0 • Fax 35 77-100

OFFICE RESIDENCE IN FRANKFURT/MAIN

Luxuriously furnished executive office at top location, including own telephone number, complete office equipment, plus competent, bilingual secretarial service, for immediate short/long term let.

For further information please contact, telephone Germany (69) 72 00 46, telefax Germany (69) 72 10 59

DRATEC SERVICES ET FINANCE S.A.

Your Financial Partner in SWITZERLAND

- Financing - joint-ventures
- Mergers - Acquisitions
- Cash Flow/Capital Management
- Commitments/Debts [illegible]

P.O. Box 362 - Ref: MDC CH-1211 Geneve 26. Tel: 21/801 63 14 - Fax 21/802 22 54.

هكذا من الأصل

Touche Ross

Bofoers Publishing Group Limited
Bofoers Publishing Limited
Bofoers Business Press Limited
Bofoers Transport Press Limited
Bofoers Exhibitions Limited

(All In Administrative Receivership)

The Joint Administrative Receivers offer for sale, as going concerns, the business and assets of the above companies.

- The companies publish seven magazine titles:
  - Garage News;
  - Local Authority Plant and Vehicles;
  - Conferences, Exhibitions and Incentives International;
  - Conference and Incentive Travel;
  - Mini Micro News;
  - Energy Today;
  - Promotions & Incentives.
- Organise two industry Exhibitions.
- Turnover approx £4m per annum.
- Fully experienced editorial and sales staff.
- Prime freehold premises comprising two office units providing 900 sq ft and 1,380 sq ft respectively.

For further information, contact S. Akers at the address below or telephone Imelda Galvin on 0895 421111.

55/57 High Holborn, London WC1V 6DX.
Tel: 071 405 8799. Fax: 071 831 2628.

Member DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Pastiche Cars Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of this Rotherham based manufacturer of component sports car body and chassis assemblies.

- 8,800 sq.ft leasehold premises with 24 years of 25 year lease remaining, rent review during 1995.
- Moulds for manufacture of bodywork panels where design rights either owned outright or under assignable licences.
- Range includes prestigious MIDAS and HENLEY models.
- Substantial order book for spares and accessories as well as 70 complete car packages.
- Cash, positive business requiring relatively low levels of working capital.

For further particulars please contact John Wilson, the Joint Administrative Receiver, or Dian Wardle at the address below.

1 Woodborough Road, Nottingham [redacted]
Tel: 0602 500511. Fax: 0602 590060.

Member DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

IMPORTER & DISTRIBUTOR, HOUSEHOLD [redacted] FANCY GOODS

- [redacted] million + turnover, profitable
- Blue chip customers
- Freehold warehouse, northern England

Write [redacted] H7891, Financial Times, [redacted] Southwark Bridge, London SE1 9HL

EUROPEAN HOTELS FOR SALE

ROTTERDAM - 120 bedroom Hotel 20.5 Guilders
AMSTERDAM - 73 bedrooms 6.5 million guilders
BRUSSELS - 60 bedrooms city centre £4.2 Million
BELGIUM - Modern 100 bedrooms BFr375 Million
COLOGNE 80 & 100 bedroom modern city centre Hotels.

CORFU	10 Hotels for sale
CANARIES	Hotel group for sale
PARIS	5 Hotels for sale
LONDON	9 Hotels for sale
SPAIN	8 Hotels for sale

Large Hotel companies for sale
HOTELS WANTED TO LEASE/RENT
[redacted] MICHAEL [redacted]
TEL [redacted] 0272 [redacted]
FAX [redacted] 0272 [redacted]

Fox leisure

PRESTIGIOUS NEWLY DEVELOPED SKI CENTRE DORSET

110 metre long Ski Slope, [redacted] 32 metre wide slopes. [redacted] licensed Ski Lodge with Bars, Restaurant, Entertainment [redacted] Ski Shop, Hire & Sales Centre, etc.

Impressive trading record and significant further commercial opportunities

FOR SALE FREEHOLD - SUBSTANTIAL OFFERS INVITED

Contact: Exeter Office Ref: (7210/KJT)

NYLON EXTRUSION

Business for Sale/Merger

A small niche operation producing nylon profiles
T/O Appx. 95K P/A,
G.P. Appx. 60%,
net profit 35K
This profitable business only employs one person and is appx. 50% of capacity. There are appx ten well established customers all with regular repeat lines. Would suit larger extrusion company or an individual with an engineering background. Could easily relocate into approx 600 sq.ft.

Please write Box H7875, Financial Times, One Southwark Bridge, London SE1 9HL.

dennis castings

Offers are invited for the businesses and assets of the following going concerns, which together form one of the largest privately owned foundry groups in the UK.

Dennis Castings Limited

Based in Eccles, Greater Manchester, this is a well established jobbing foundry with [redacted] good reputation.

1. Fully equipped leasehold premises and offices.
2. Turnover of [redacted] million p.a. to a substantial customer base.
3. Melting capability in iron, gunmetal, aluminium bronze and specialist alloys.
4. Flexible production processes including shell moulding, mechanised cold box and a fully equipped laboratory.
5. Skilled workforce of 80 employees.

MFP Castings Limited

Based in Newtownabbey, Co. Antrim, N. Ireland this modern well equipped foundry and machine shop specialises in the vacuum process.

1. Leasehold factory and offices.
2. Turnover £2.4 million p.a. to an established customer base in the U.S. and U.K.
3. Specialists in pump and valve manufacture with full machining facilities.
4. Substantial and established customer base.

Beevor Castings

Based in Lincoln this established iron foundry whilst specialising in cylinder [redacted] blocks and crankcases, also has a large range of other products.

1. Large freehold site of 163,000 sq.ft. on approximately 30 acres.
2. Quality approved to BS 5750 assisted by [redacted] fully equipped laboratory.
3. Turnover £5 million p.a.
4. Established blue chip customer base.
5. Induction melting (3 [redacted] 8 tonne), [redacted] greensand moulding lines, furane moulding, reclamation plants and substantial coreshops.
6. Workforce of 200 highly experienced craftsmen.

The Kerr Pattern Company Limited

Based in Lincoln this is [redacted] long and well established master pattern shop with [redacted] good performance record and highly skilled workforce.

1. Freehold site of 2500 sq.ft
2. Turnover £350,000 p.a.
3. Manufacturer of patterns, moulds and models in cast iron, aluminium, wear resistant resins and wood.
4. Full range of machinery.

For further details contact the Joint Administrative Receiver, Martin Shaw

KPMG Peat Marwick McLintock

[redacted] The Embankment, Neville Street, Leeds LS1 4DW
Tel: 0532 313000 Fax: 0532 313183

Crossways Motor Company Limited
Crossways (Kirkbymoorside) Limited

(In Administrative Receivership)

The business and assets of the Crossways Group are offered for sale either as a whole or separately. The Group operates from two sites in North Yorkshire as new and used retail motor dealers with a provision for parts, service and repair facilities.

Leeming Bar

- Annual turnover £6 million.
- [redacted] just off A1.
- Retail of new and used cars. Full parts, workshop and bodyshop facilities and petrol forecourt.
- Renault dealership.

Kirkbymoorside

- Annual turnover £1 million.
- Freehold site on major A Road.
- Retail of new and used cars. Full parts, workshop and bodyshop facilities and petrol forecourt.

Further details are available from [redacted] Powell, The Joint Administrative [redacted] or Gary Sturgess, Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham [redacted] 6LH Tel: [redacted] Fax: [redacted]

STOY HAYWARD
Accountants and Business Advisers — A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Vange Production Components (Halstead) Limited

(In Receivership)

The Joint Administrative Receivers offer for sale the light engineering business and assets of the above company.

Based in Halstead, Essex, the business had an annual turnover in excess of £1.1 million for the year ended 31 December 1990.

Principal features are:

- Household Name Customers, Preferred Supplier Status
- 18,000 sq ft Freehold Premises
- Forward Orders
- Mechanical Power Presses, Equipment, Loose Tools
- Skilled Workforce, In House Quality Control

For further details contact the Joint Administrative Receivers: Laurence Baehr or Mark Riley at Clark Whitehill & Co, 25 New Street Square, London, EC4A 3LN.
Tel No: 071-353 1577 Fax No: 071-583 1720.

CLARK WHITEHILL & Co
Chartered Accountants

BUSINESSES FOR SALE

Tuesdays, Saturdays and now FRIDAYS

For further information please contact
Gavin Bishop on 071-873 4780
or
Melanie Miles on 071-873 330

LEONARD CURTIS

**BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DAVID SWADEN FCA and KEITH D. GOODMAN FCA**

IN THE MATTER OF

TOY AND HOBBY INTERNATIONAL LIMITED

Offers are invited for the business and assets of Toy and Hobby International Limited in whole or in part.

Its main activity is the retailing of toys, games, nursery and related products.

- Nine high street stores across the North West, including one freehold property in Stockport and eight leasehold properties in Manchester, Chester, St Helens, Birkenhead, Preston, Wigan, Oldham and Southport.
- Total sales area of 138,000 square feet.
- Warehouse and office space of 41,000 square feet.
- Annual turnover of £13.5 million.

For further information contact:-
Leonard Curtis & Partners,
Peter House, Oxford Street, Manchester, M1 [redacted]
Tel: 061 236 [redacted] Fax: 061 [redacted] 1929

LEONARD CURTIS

**BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
K. D. GOODMAN FCA and P. MONJACK FCA**

IN THE MATTER OF BETTABOXES (PACKAGING) LTD. T/A PAQTECHNIC

Paqtechnic™
BETTABOX

Offers are invited for the business and assets of this established manufacturer of custom made packaging for delicate electronic and scientific instruments.
Turnover for the last two years in excess of £2m p.a.
Customer base includes several household names.
Situated in leasehold premises in Worthing, West Sussex.

Further enquiries from the receivers:-
Leonard Curtis & Associates,
[redacted] New Road Brighton East Sussex BN1 1UF
Tel: 0273 571946 Fax: 0273 681974

BUYING AND SELLING HIGH TECH. COMPANIES

Electronic and Computer Businesses are Sought and For Sale

FRONTIER CORPORATE SERVICES

Concentrating in these industries we have Selling and Buying Clients on our Registers. [redacted] provide Confidential M & A Services of Search, Investigation, Preparation, Presentation and Valuation for Corporate Sales, Merger or Joint Venture, nationally and internationally.

Contact in Confidence Senior Partner Michael Spanner

21-23 Robinhood Lane, Winnersh, Wokingham RG11 5ND
Tel: 0734 791784 Fax: 794365

HIGH TURNOVER NURSING HOME GROUPS

50 to 500 Beds

Telephone Keith Tompkins 081 464 6565

DRUCE

Hotels & Leisure International

On the instructions of

WHITBREAD PROPERTY

Three Hotels For Sale

All are prominently located with good commercial/tourist trade and regular non-residential clientele for restaurant and bar. The properties have been well maintained and furnishings and fittings are of a good standard.

THE DANEBURY, ANDOVER, HAMPSHIRE. Grade II Listed, with 2 Star rating, in the main commercial/shopping centre. • 24 en-suite bedrooms, including the honeymoon suite with four-poster bed. Function room for 100 • 60 cover restaurant and main bar • Outbuildings and large car park • Development potential subject to planning.

THE ANTELOPE, POOLE, DORSET. Extensively modernised 3 Star hotel half a mile from the station and within easy reach of the New Forest. • 21 en-suite bedrooms including honeymoon suite with four-poster bed • 50 cover restaurant with cocktail bar • Private dining room, 2 further bars, one with food servery • 2 bedroom manager's flat.

THE FOUNTAIN, COWES, ISLE OF WIGHT. Elegant Georgian building close to the Ferry and Hydrofoil Terminal in one of the world's foremost sailing centres. • 20 en-suite bedrooms • 36 cover restaurant with patio • Lounge bar • Residents' lounge • 2 bedroom manager's flat.

Offers in the region of £3.3 million are sought for the portfolio as a whole; offers for individual properties will also be considered
Final offers are required in writing by Friday 25th Jan 1991

Contact: Jeremy Hill or Denis Powl
Regency House, 107 Hagley Road, Edgbaston, Birmingham B16 8LA. Tel: 021-454 4433 Fax: 021-454 7132

ESTABLISHED NATIONWIDE UK FRANCHISOR COMPANY WITH OVER 100 FRANCHISEES TRADING FOR SALE

Profitable business with sound foundation and enormous potential for further development within the U.K. and throughout Europe and other World markets. Genuine reason for sale. Would ideally suit established Company seeking to diversify into service sector or individual seeking immediate growth vehicle for European exploitation. Total operation [redacted] sale including Worldwide Rights, £400,000. Existing owners would undertake to participate extensively in hand over.

For further information please contact Gordon Patterson, Franchise Development Services Southern, Mansard House, Hamstead Marshall, Newbury, Berkshire, RG15 0HW
Telephone: 0488 57218

Continued on Page 21

BUSINESSES FOR SALE

Horizon Foods Limited

(In administrative receivership)

Speciality food and wine business for sale with branded products.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Horizon [illegible] Limited [illegible] companies.

- Strong brand [illegible] with excellent reputations.
- Established management [illegible] and [illegible] force.
- Established four years in multiples and independent stores.
- Existing [illegible] market.
- Extensive direct mail operations.

Full [illegible] may be [illegible] from the Joint Administrative Receiver, John Dare.

KPMG Peat Marwick Corporate Recovery
Dolco Keep, Marsh Lane, Southampton SO1 1EX
Tel. 0703 631443 Fax 0703 223547

On the instructions of Frank Blin CA and Robert J.T. Glen CA of Cork Gully, Joint Receivers of Caledonian Arenas PLC:

Development For Sale - The Centrum, Ayrshire, Scotland

When complete the development will include:-

- Olympic-size Ice Pad/Sports Hall (seats 3000)
- Resident U.K. Premier League Ice Hockey Team 'Ayr Raiders'
- Exhibition Area 2300m unobstructed floor space
- Concert Hall (capacity 6500)
- Conference facilities (50 to 5000)
- Bars, Shops, Restaurant and Fast-Food Catering Facilities, Car and Coach Parking

For further particulars contact: Frank Blin or Bryce Findlay, Cork Gully, Kintyre House, 209 West George Street, Glasgow, G2 2LW. Telephone: [illegible] Fax: [illegible]

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered [illegible] in England and Wales to carry on investment business.

Cork Gully

APT Photoset Ltd.

(In Administrative Receivership)

The business and assets of the above company are offered for sale by the Joint Administrative Receivers.

- [illegible] in the field of [illegible] Typesetting and the production of finished artwork and commanding 30% to 40% of the London market.
- Clientele drawn from leading [illegible] Corporations and institutions including some of the UK's top ten companies.

Enquiries to the Joint Administrative Receiver, AJ Barrett FCA, Price Waterhouse, No.1 London Bridge, London SE1 9QL. Tel: 071-939 3000. Fax: 071-939 5566.

Price Waterhouse

CPR Systems (Leeds) Ltd
Counter-Fit UK Ltd
(In Receivership)
Leeds Area

The above companies provide a comprehensive shop and office refurbishment service. This encompasses the fitting of demountable partitions, suspended ceilings, storage platforms and the manufacture of retail displays and checkout counters.

- Leasehold premises, 23 years to run approximately 6900 sq feet at £2.18/square foot
- Combined annual turnover of £2.3 million
- [illegible] full time employees
- Fully equipped workshop

For further details please contact the Joint Administrative Receiver:
[illegible] Barnes, Grant Thornton,
St Johns Centre, 110 Albion Street,
Leeds LS2 8LA.
Tel: [illegible] 455514
Fax: 0532 [illegible]

Grant Thornton
The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Convenience Retail Stores.

Business available for sale as a going concern comprising 4 retail outlets. Key features include:

- *Turnover ranges from £4,000 to £14,000 per week, depending on location.*
- *Located in Avon, Devon, Gloucestershire and Somerset.*
- *Extended opening hours, 7 days a week.*
- *Each outlet approximately [illegible] square feet of retail sales area.*
- *Freehold and leasehold interests available for disposal.*

For details please apply to Cedric [illegible] Clapp, Joint Administrative Receiver [illegible] Limited, Ernst & Young, 1 Bridewell Street, Bristol, BS1 2AA. Telephone 0272 [illegible]

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Mr David Stokes and Mr John Ross, Joint Administrative Receivers, offer for sale in whole or in part, the business and assets of

Texmotif Limited

The [illegible]
- [illegible] of heat fusible [illegible]
- Suppliers of woven labels and embroidered badges
- Hosiery and Garment direct screen printing

The Assets:-
- Located at [illegible], Northern Ireland
- [illegible]
- Plant and Machinery
- Office fixtures and fittings

For Further details please contact:- Mr J Ross, Cork Gully, Fanum House, 108 Great Victoria Street, Belfast, BT2 7AX Tel: 0232 323204 Fax: 0232 242416

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

J.F. Powell FCA and S.J. Taylor ACA
Joint Administrative Receivers

Eskimo Knitwear Ltd

Opportunity to acquire the business and assets of manufacturer of high quality heavy gauge natural fibre knitwear based in Leicester

- Turnover approximately £3.8 million p.a.
- Purpose built factory approximately 26,000 square feet two miles from centre of Leicester
- Prestige customer base including substantial export trade
- Modern computer controlled knitting machinery

Assets for sale include premises plant and machinery and stock
For further information contact:- Bob Bailey or Tim Cockcroft, Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA.
Telephone: 0533 622338. Facsimile: 0533 538929

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

PROPERTY DEVELOPMENT

A quality sheltered housing freehold property development is offered for sale by the Joint Administrative Receivers of Brampton Properties Limited.

Located in Prestbury, near Cheltenham, the development comprises a country house and cottages giving a total of 25 individual units. The property stands within 7 acres of grounds. There are extensive leisure facilities, garages and a management office complex.

Further information may be obtained from the Joint Administrative Receivers:-

Myles Halley and John Wheatley.

KPMG Peat Marwick Corporate Recovery
[illegible] House, Lansdown Road, Cheltenham, [illegible] 2JA
Tel: 0242 [illegible] Fax: 0242 [illegible]

On the instructions of the Joint administrative Receivers of
GRAPHIC HOUSE GROUP LTD
108 CHARLES STREET SHEFFIELD 1

Offers are invited for this long established Printing Company specialising in continuous stationery and business forms.

Wide ranging customer base being 50% direct accounts and 50% brokerage.

Well respected company, established 1976
Turnover to year end October 1990 £882,000
Modern machinery with facility for three-colour printing.
Central Freehold and Ground Leasehold premises of 7,000 sq. ft. fronting on to the inner ring-road.

OFFERS ARE INVITED FOR THE COMPANY INCLUSIVE OF GOODWILL AND ORDER BOOK, BY WAY OF A SALE OF ASSETS.

For Prospectus, contact Fuller Peiser.
(0742) 750161 or Fax (0742) [illegible]

FULLER PEISER
OLD BANK HOUSE, 3 HARTSHEAD, SHEFFIELD S1 2EL
[illegible] 547098 [illegible] 0742 738226
TEL: 0742-750161

[illegible] COMPANY [illegible]

Property set in 6 acres of wooded grounds.
58 en suite bedrooms. 64 cover restaurant. Function [illegible] conference rooms. T/O around £1 million p.a.
Good adjusted nett profits.
Offers for [illegible] majority shareholding in this Limited Company
Contact Richard Lunn or John Willmott, Birmingham Office, [illegible] 021 200 2060. Quote ref 58A2151.

CHRISTIE & CO
Businesses for Sale,
Corporate Acquisitions & Disposals,
Rating, [illegible] & Valuations
14 offices. Undertaking UK and [illegible]

RESTAURANTS • PUBLIC HOUSES • NURSING HOMES • CO • LEISURE • HOTELS • WINE BARS • HOTELS • NURSING HOMES • PUBLIC HOUSES

HEADLINING IN CORNWALL
HOLIDAY VILLAGE PERMISSION
500 – 700 APARTMENTS

Plus already in operation:
• Nightclub and Entertainment Centre •
• Bars and Function Suite •

F O R S A L E

Possibly what will be the West Country's leading next generation Holiday Village in this unique position on *one of Cornwall's most spectacular beaches*. Planning permission granted for a village of 500 – 700 holiday villas. Full feasibility study available. The complex already operates as a major resort centre.

Brochure package from: Dept. MG, Domaine Leisure Ltd, Domaine House, Kenegie Manor, Gulval, Penzance, Cornwall. Telephone: 0736 66671 Fax: 0736 51219

CHESHAM.
BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And we have the buyers.

CHESHAM AMALGAMATIONS
The first name in merger broking.
Chesham House, 2 Bentinck Street, London W1M 6JX.
Telephone: 071-935 2748
FIMBRA

Valhalla Homes (UK) Limited, Timber Frame Manufacturer, St. Austell, Cornwall.

The opportunity arises through [illegible] to acquire the business and assets of this timber frame and roof truss manufacturer, which has undertaken [illegible] commercial and leisure projects with a [illegible] of 31.

Assets [illegible]:
- Modern factory premises and office accommodation on a 5½ acre site.
- [illegible] machinery.
- On-going [illegible] contracts.
- Timber stocks and work in progress, including house frames and trusses [illegible].
- Development sites:
  - Part [illegible] St. Austell with consent for [illegible] flats.
  - Sites at [illegible] and Ammanford, near Swansea, [illegible] both comprising approximately 2½ acres, with consent for 18 [illegible].

[illegible] PRC Denham FCA, Joint Receiver, [illegible] (UK) Limited, Price Waterhouse, Clifton Heights, Clifton, Bristol BS8 1EB. Tel: [illegible] 293701. Fax: [illegible]

Price Waterhouse

The Joint Administrative Receivers offer for sale the assets of the
KINGSTON CRAFTSMEN [illegible] OF [illegible]

comprising the plant, machinery and stocks of the following businesses:

- Structural timber engineering
- General joinery-manufacturing and installation
- UPVC double glazing manufacture and installation

The group has traded from two sites in Hull (60,000 sq feet) with good access to the M62 and Motorway network. Annual turnover of £4 million with approximately 65 employees.

For further details please contact D J Waterhouse of Coopers & Lybrand Deloitte, 5 Albion Place, Leeds, LS1 6JP. Telephone (0532) 435166, Fax (0532) 434567.

Coopers & Lybrand Deloitte is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Coopers & Lybrand Deloitte

DISTRIBUTION COMPANY FOR SALE

The Company is a major national distributor of Bathrooms, Kitchens and a wide range of Brassfoundry.

Turnover is in the order of £6.5M.

This business is efficiently controlled by one of the latest computer systems. The company extends an opportunity to any existing, or similar organisation, yet the distribution network that is in place could very well suit inter-related products, particularly for a manufacturer seeking to establish its own network if distribution.

All Enquiries Write to
Box no: H7875 Financial Times, One Southwark Bridge, London SE1 9HL.

A UNIQUE OPPORTUNITY TO ACQUIRE AN ARCHITECTURAL SURVEYING AND ENGINEERING CONSULTANCY

■ OUR CLIENT, a very professional, multi disciplinary Practice, with enormous potential, is now available to be acquired. The Clientele is broad based and spans both the private and public sectors and includes many U.K. Local Authorities, Housing Associations, public utilities and prestigious private sector clients. This provides a stable fee base of £2-3M p.a. and the Company maintains a £2M order book. The disciplines offered are Architecture, Building Surveying, Mechanical, Electrical, Structural and Civil Engineering, Quantity surveying and Project Management. The Company provides a full range of professional building services across the spectrum of housing, commercial and industrial sectors. A Clerk of Works service is also provided. The firm is dedicated to completing projects on time and within budget and enjoys an excellent client acceptance. References are available, if required, from the many satisfied clients.

■ THIS OPPORTUNITY merits your immediate consideration if you are a major PLC looking for a compatible acquisition, or a large Practice/Contractor seeking expansion or an overseas concern requiring a strategic foothold in the UK. The principals are prepared to ensure continuity. Serious enquiries are invited from Principals in utmost confidence. Reference 3065.

Practice Merger Acquisition Disposal Association
Conducted confidentially throughout Great Britain

RESOURCE MANAGEMENT ASSOCIATES
35 ROBJOHNS ROAD, CHELMSFORD, ESSEX CM1 3AG
TELEPHONE: 0245 252525 CABLES RESOURCE

RECORDING/TV STUDIO

The Joint Receivers offer for sale the business and assets of companies specialising in the editing and production of promotional videos and the hiring of audio visual aids to conferences and exhibitions.

Principal assets include:
- Leasehold premises comprising 13,000 sq ft near Heathrow Airport
- A quantity of sundry equipment used in the audio visual rental business
- A quantity of high quality video editing and production equipment including:

[illegible] Acc Micro System
Abacus A53D System
Forox A2 Rostrum Camera

For further information please contact the Joint Administrative Receivers Ian [illegible] or John [illegible].

Hobson House
155 Gower Street
London WC1E 6BJ
Tel: 071 387 2888

CASSON BECKMAN & PARTNERS

[illegible] by the Institute of Chartered Accountants in England and Wales to carry on investment business.

TRAVEL AGENCIES FOR SALE

• East Midlands	• Off-shore island
• Turnover £1.5m increasing	• Turnover £1.5m
• Profitable concern - no product discounting	• ABTA and IATA
• ABTA and IATA	• Old established business
• Agent for major building society	• Long lease with valuable sub-letting
• Smart premises - on new lease	• Financial district

For further information contact
[illegible] BUTTON & [illegible]
21 Main Road, Nottingham NG4 3HQ Tel. (0602) 611822

EXHIBITION ORGANIZER COMPANY

Midlands based, either wholly/in part. Small private Company, could be run part-time, ongoing concern, suit retired/active businessperson. Genuine reason for sale.

Write Box No: H7905 Financial Times, One Southwark Bridge, London SE1 9HL.

TUSCANY: WINE ESTATE (CHIANTI CLASSICO)

A beautiful 200 acre property north of Siena in the heart of Chianti. Restoration of medieval farmhouses in progress for 12 s/c apt., plus owner's home. Pool, 30 acres vines, 15 olives. Own spring water. 324m stabling. Lire 3,000 million (£1,370,000). Loan available.

Phone/Fax France
(+33) 93 69 36 64.
Principals only (private sale)

COMPUTER MAINTENANCE AND ENGINEERING BUSINESS

Offered for sale as a going [illegible] £220K annual renewable con[illegible] [illegible] AD HOC business P.A. [illegible] southern England, [illegible] skilled, [illegible] technicians.

Please write Box H7901, [illegible] Times, One Southwark Bridge, London SE1 9HL.

COMPUTER SERVICES and VOLUME LASER PRINTING for Direct Marketing

Small bureau, London. Unique, versatile software and expertise. Ideal for entry and expansion into database/personalisation.

Write Box No: H7893 Financial Times, One Southwark Bridge, London SE1 9HL.

USA [illegible] FOR SALE
PHOTOFINISHING DIST.

SUPPLIES/EQUIP [illegible] in US)
[illegible] PRICE [illegible] MIL

FERRARI DEALER

ASKING PRICE [illegible] 12.5 [illegible]
USA BUSINESS [illegible]
Write Box H7894 Financial Times, One Southwark Bridge London SE1 9HL.

FOR SALE NICHE FOOD INGREDIENTS BUSINESS

Highly profitable processor and distributor of food products supplied to the catering and industrial users market. T/over £1.25m, profits £400,000. Sale forced by ill health.

Write Box H7872, Financial Times, One Southwark Bridge, London SE1 9HL.

HOTELS AND LEISURE TROUBLESHOOTERS

HOTELS (Buying and Selling) Leases, franchises, management Financing - Refinancing and marketing.

Let professionals solve your problems
Contact us on: Tel: [illegible] 4838
[illegible]

ELECTRONICS BUSINESS FOR SALE

Major precision Potentiometer mfgr looking to sell sophisticated, profitable operation w/commercial & military sales, selling to major aerospace corps. Excel backlog.

P.O.Box 781 Devon, PA.19333

PIZZERIA. 88 COVER [illegible] in busy south coast town. T/o £155,000. For sale (Leasehold) or other offers considered. Write to A. Cutler, 10A Castle Street, Christchurch, Dorset. Tel. 0202 478578.

The VPI Group

(In Administrative Receivership)

The business and assets of the above group of companies are offered for sale by the Joint Administrative Receiver.

- [illegible] in the fields of financial and corporate [illegible] in the UK.
- [illegible] from leading UK and international corporations and institutions and includes [illegible] of the UK's top ten companies.
- Consultancy.
- [illegible]
- [illegible] and Planning.
- Advertising.
- Design.

Enquiries to the Joint Administrative [illegible] AJ [illegible] FCA, [illegible] Waterhouse, No.1 London [illegible], London SE1 9QL. Tel: 071-939 3000. [illegible] 071-939 5566.

Price Waterhouse

The Administrative Receivers offer for sale

R.E. Crawley (Asphalt) Limited

- Contractors in asphalt laying and groundwork
- Established in 1948
- Small-medium contracts; wide customer base
- Annual T/o £2.5m; current experienced workforce of 30
- Based in Northamptonshire

All enquiries to the Joint Administrative Receivers of R E Crawley (Asphalt) Ltd, Cork Gully, Oriel House, 55 Sheep Street, Northampton, NN1 2NF. Tel 0604 230799 Fax 0604 236001.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

On the instructions of A.J. Armitage FCA, Administrative Receiver of Refinery & General Engineers Limited

F O R S A L E

The Assets of an Aerated Concrete Manufacturer

- [illegible] property of 17,000 sq.ft. on approx 0.9 acres.
- Gascon Plant with a production capability of 12,000 cu.yds. per annum
- [illegible] Scunthorpe, [illegible] Humberside

Armitage & Co.

Weatherall Green & Smith
0532-442066

NURSING HOMES

For sale 2 first class homes in [illegible] Devon.
EDENMORE NURSING HOME - ILFRACOMBE - 38 registration - planning consent for extension. Price [illegible]
WHITE ROSE NURSING HOME - [illegible] - 26 registration. Possible [illegible] to 40+, Price £750,000.
[illegible] T/O [illegible] million. [illegible] profit record with [illegible] scope for improvement. Fully managed. Prestigious buildings in first class order.
Contact: Mr P R Yates, [illegible] Higher Park Road, [illegible] North Devon EX33 [illegible] Tel: 0271 [illegible]

BUSINESS OPPORTUNITIES

Miller

CORNWALL'S PREMIER RESORT: AMUSEMENT ARCADE OF 7,500 SQ FT

In the town centre close to the Beaches and main shopping area. Planning Permission for leisure and amusements and also Exhibition Centre. 105 gaming machines, superbly fitted. Turnover in excess of £100,000 achieved on limited operating hours during the 1990 season. Really excellent prospects to improve performance.

Price: Freehold, OIRO £450,000.
Ref: L336.

Mansion House, Truro
Fax (0872) 42455 Tel 74211

FOR SALE Plastic Trade Moulder

Located in the West Midlands the company has a turnover in excess of £2.5m with adjusted profits of just under £200k. The company occupies modern freehold premises with up-to-date plant ranging from 23 to 800 tonnes. The Directors' and Management believe that their company can be best served by being part of a larger organisation.

Write to Box H7855,
Financial Times,
One Southwark Bridge,
London SE1 9HL.

هكذا من الأصل

Closing in on open systems

Organisations representing hundreds [illegible] rate and government computer [illegible] worldwide will meet in Dallas, Texas, next Monday to formulate plans to encourage computer manufacturers to speed up the introduction [illegible] "open systems" technology.

Open systems, based [illegible] industry-wide standards, are designed to make it simple for computer products from different manufacturers to work together and to share the same software. Computer manufacturers, however, have been slow to react to demands from their customers [illegible] open prod[illegible] because [illegible] the higher profit margins implicit in proprietary computer designs.

The Dallas meeting, on the [illegible] a major US [illegible] systems exhibition, is expected to provide an unprecedented display [illegible]er power. The del[illegible] plan to explore ways of working together to identify common needs and methods of persuading computer suppliers to [illegible]isfy them.

[illegible] combined information technology budgets of [illegible] organisations represented [illegible] meeting has [illegible] mated [illegible] more than $100bn a year. Sponsored by [illegible] interna[illegible] systems organisation X/Open, based in the UK, the [illegible] meeting, [illegible] as a round [illegible] with no official chairman, will be led by Walter De Backer, director of informatics at [illegible] European [illegible] and chairman of the X/Open user council.

Groups taking part in the meeting will include the Corporation for Open Systems and [illegible] Alliance for Open Systems in the US, the Sigma [illegible] from Japan and [illegible] European [illegible] information [illegible] organisation.

The increasing impatience of computer users with manufacturers' tardiness in moving to open systems is a new phenomenon in an industry noted for being controlled by suppliers. It has resulted in a profusion of user organisations. The hope is [illegible] the Dallas meeting will result in the various organisations collaborating to present [illegible] co-ordinated approach and a common agenda for change.

Alan Cane

When Peter Lilley, the Trade and Industry Secretary, published his consultative paper on telecommunications two months ago, the main comment among followers of the subject in Scotland was: "This seems to be written exclusively for people in the south-east of England."

The policy document* proposes radical changes in British telecommunications aimed at promoting greater [illegible] competitive prices. The government would end the duopoly of British Telecom and Mercury [illegible] up local, long distance and international telecommunications to new competitors within a regulated framework.

Thus organisations like British Rail and British Gas could [illegible] the wayleaves afforded by their railway lines and pipes to provide long-distance [illegible]munications. Cable TV opera[illegible] would [illegible] to provide local telecommunications services, which for 10 years BT would [illegible] excluded from doing. New competitors such as satellite operators would be [illegible] operate international links.

The Scottish Development Agency, the official body [illegible]h works for economic development in Scotland out[illegible] Highlands, endorses the government's aim [illegible] promoting competition and encouraging a multiplicity of telecommunications suppliers. But in [illegible] submission to the DTI it points out [illegible] the green paper [illegible] not address the problems of [illegible] like [illegible] which [illegible] geographically remote, have a small population [illegible] many [illegible] of low population density. The agency raises issues that apply to other outlying [illegible] rural parts of Britain.

"There is no recognition in the green paper that geography has limited the development of competition in telecommunications," [illegible] Williams, head [illegible] SDA. Referring to the duopoly of BT and Mercury, he [illegible] "Duopoly? What duopoly? [illegible]"

The SDA points out that Mercury only began operating in Scotland in 1987, four years after the duopoly was created, [illegible] only [illegible] part [illegible] the central belt and an area up the east coast to Aberdeen. There are only 19,000 lines in [illegible] land with access to Mercury's network, [illegible] with BT's 2m lines. "Less than 1 per cent of Scotland's exchange lines [and a much smaller percentage of customers] have thus [illegible] directly from compe-

James Buxton tells why Scotland is feeling left out of the British telecommunications review

A call that nobody picks up

tition in [illegible] networks," the SDA says.

(Mercury [illegible] "significant expansion of our operations in [illegible] Scotland region in a year or two's time.")

Although BT [illegible] much [illegible] competition in [illegible] than in [illegible] of Britain the SDA [illegible] Scottish businesses [illegible] reasonably satisfied with it. But there is dissatisfaction [illegible] plans for the spread [illegible] BT's Integrated Services Digital Network (ISDN), which will provide high-speed [illegible] transmission services. ISDN [illegible] only [illegible] introduced where exchanges [illegible] been digitalised and naturally [illegible] priority for [illegible] is in [illegible] beginning with Edinburgh.

[illegible] important exception is in [illegible] and Islands. Here the Highlands and Islands Development Board has persuaded BT to introduce ISDN to [illegible] the principal exchanges (initially 43 of them, now increased to [illegible]) earlier [illegible] would be commercially justified and long before many other parts of rural [illegible]. To do this the HIDB is contributing £5m to the £16m cost of BT's [illegible] programme to [illegible] completed by 1992.

But this [illegible] not cover the rural areas outside the Highlands: Speyside in Grampian, for example, contains scattered whisky distilleries [illegible] could benefit from improved data transmission. There are [illegible] textile [illegible] in the [illegible].

As for cellular radio, [illegible] all the Highlands [illegible] Islands area west of the A9 Perth to Inverness road are uncovered by Cellnet and Vodafone, as are parts of the Borders. Though Cellnet had reached 97 per cent of the population of Britain by June 1990 it only covered 82 per cent of the population of Scotland. Cable TV has been slow to develop in Scotland: there are only two currently operating [illegible] (Glasgow and Aberdeen) and 40 per cent of Scottish households live in areas where no company has even sought a franchise.

A study [illegible] by the [illegible] current plans operators [illegible] (PCNs), [illegible] next generation [illegible] mobile communications which is scheduled to begin operating in 1992, might not reach Scottish towns such as Inverness and Stirling [illegible] populations [illegible] or more [illegible] century.

"What we're saying is that deregulation does not necessar[illegible] lead to [illegible] of new [illegible]" Williams says. "[illegible] result in a patchy level of service."

The Highlands [illegible] can be viewed as a tacit official [illegible] that [illegible] forces alone do not necessarily bring the latest telecommunications services to peripheral areas.

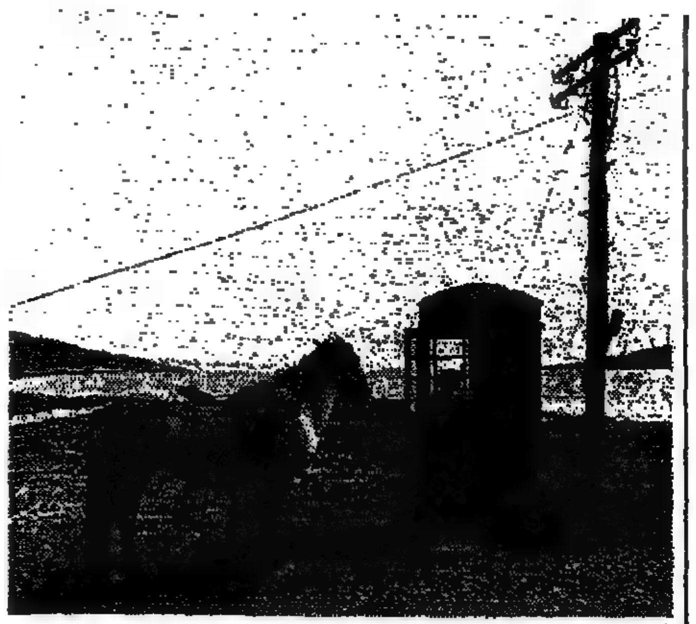
The agency believes that to help ensure that new services are created and that telecommunications operators do not simply "cherry-pick" the more lucrative sectors and regions of [illegible] Scottish market, the gov[illegible] must frame regulations [illegible] licences with "greater [illegible] hitherto paid to issues of economic development." Oftel (the Office of Telecommunications) should be ordered to take economic development issues into account when issuing licences.

Thus, the agency says, companies licensed to provide local telecommunications services should have "a requirement to [illegible] their services available to a stated percentage of potential users within a given time-frame". As for trunk network services, providers should be obliged [illegible] on [illegible] rather than [illegible]graphically [illegible] basis" to avoid cherry-picking. "National," the SDA adds, "[illegible] British rather than English."

To ensure a [illegible] geographical spread of services such as ISDN the agency recommends Lilley to widen BT's universal service [illegible]ations which are currently confined to voice telephony. The obliga[illegible] progressively extended to cover [illegible] services, especially ISDN.

[illegible] and [illegible] HIDB endorse the government's view [illegible] tariff control arrange[illegible] maintained, [illegible] its [illegible] of cross-subsidy between urban and rural areas. An HIDB official says: "Competition hardly [illegible] the Highlands" (where so far the only presence of Mercury is a handful of payphones in Inverness). "If there were differentiation in tariffs between different geographical [illegible] it would be very [illegible] news for the Highlands."

Competition and Choice: Telecommunications Policy for the [illegible]



No word yet of alternative phone services in rural Scotland

One of the most memorable results of liberalisation in the [illegible] industry [illegible] Richard Needham, the Northern Ireland under-secretary, used the phone in his car [illegible] make a call. As [illegible] incumbent prime minister travelled across the airwaves they were picked up by the security forces — and [illegible] in the following day's newspapers.

Such cellular phone [illegible] works are one of the few benefits Northern Ireland has seen from the UK's liberalisation policy. But while Scotland complains vociferously about the paucity of its communications services, Northern Ireland [illegible] turned [illegible] Brussels, rather [illegible] London, [illegible] help.

Designated [illegible] disadvantaged area, the province qualified for help in setting up phone services and has been able to put in an [illegible] optical fibre back[illegible] network linking 44 areas.

John Harris, senior director of information technology at [illegible] Industrial Development Board of Northern Ireland, points to several large companies, such as British Airways and Du Pont, which have been able to exploit the sophisticated phone services.

Perhaps the first real competition to British Telecom will come from Ulster Cablevision, which has been licensed to operate a cable television network in Belfast. That is, provided the duopoly review gives [illegible] go-ahead for cable companies to offer phone services.

Della Bradshaw

Apple performs the classics

By Louise Kehoe

Apple Computer's Macintosh "Classic" is living up to its name. Sales of the new low-cost version of the Macintosh, introduced last October, are reminiscent of the personal computer industry pioneer's past glories.

"We have shipped more Classics in the first quarter than we did Macintosh Plus's in its best selling year," John Sculley, Apple chairman and chief executive, boasts. "[illegible] Classic is going to be as big as the Apple IIE in its largest selling year and may equal unit [illegible] of all Apple IIs sold to date."

Such comparisons are telling. Although the Apple IIE and the Macintosh Plus were Apple's best sellers, they were not the products that won Apple acclaim. Rather, they were re-engineered versions of earlier products upon which Apple built its reputation.

Similarly, the Macintosh Classic draws upon earlier designs, in particular the Macintosh SE. It is a re-packaged version of the Macintosh, priced to compete in today's PC market — and it is outselling its predecessor.

While Apple has long claimed to be the "innovator [illegible] the personal computer industry, the company has achieved its biggest [illegible] by building better mousetraps, albeit ones that take advantage of earlier Apple inventions.

This lesson is not lost upon Sculley, who now spends about 70 per cent of his time on product development management at Apple and has adopted the new title of chief technical officer. Under Sculley's direction, Apple actively sought feedback from [illegible] oped the Classic. Significant [illegible] made in the pro[illegible] just months [illegible] introduction, [illegible] upon customer input, he says.

The Portable Macintosh is Apple's latest example of the triumph of innovative technology over good sense. Apple spent more than two years trying to create an "elegant" technology solution and ended up with an ugly duckling, a machine that [illegible] too bulky and expensive to be practical.

Now, Apple is preparing [illegible] launch an improved [illegible] Portable, one that will more closely reflect the demands of the marketplace. This product may not be heralded as a technological breakthrough, but it could be a commercial success.

Looking forward, Apple must, however, combine the "vision" of which it has long boasted with its new-found pragmatism. Apple's next several products, already in development, will be evolutionary rather than revolutionary products. They are expected to include, this year, a high-powered computer based upon Reduced Instruction Set Computer (Risc) architecture — a computer workstation with some [illegible] the user-friendly appeal of a Macintosh.

Apple has also built prototypes of two generations of notebook-sized computers, and is working on a third. These products, if they ever reach the market, will also be "catch-ups" designed to compete with a plethora of miniaturised IBM-compatible notebook computers from Japan.

It will be about two years, Sculley reckons, before Apple will be ready to focus once again upon "defining new opportunities" and creating truly innovative products as it did in the mid-1980s.

In the meantime, Apple is ironically looking to Japan's electronics giants — long denigrated as "copiers" rather than innovators — for new inspiration and collaboration.

As the model US entrepreneurial company, Apple has been burdened by several myths. Among the most misleading has been the proposition — for too long accepted within the company — that innovation has been the sole key to Apple's success. Dispelling this fantasy could help Apple to remain a leader in the computer market of the 1990s.

Continued on Page 21

ARTS

Never single spies but in battalions

William Packer on the current Saatchi Gallery installation

That the notorious reclusiveness of the Saatchi brothers should serve nothing so much as [redacted] fuel general interest in their affairs is a [redacted] paradox. Such curiosity naturally extends [redacted] the huge collection of international contemporary art that Charles Saatchi has accumulated these past dozen years. Whatever the present health and [redacted] prospects of the fraternal [redacted] might be, the collection continues to grow [redacted], and in a way that seems to give the lie to the *canard* that it was Charles's first wife, Doris, who was the determining influence.

Clearly changes have been [redacted]. The [redacted] manner of collecting, never single [redacted] but in battalions, was always controversial, with always the [redacted] implicit of [redacted] the other way. Lately certain major holdings in the collection have been sold, [redacted] in Kiefer, Scully and Schnabel, to the manifest chagrin of [redacted], and [redacted] not untimely [redacted] in the reputation of others.

But much [redacted] has been bought in [redacted] meantime. Beautifully installed, as ever, in the vast, clear [redacted] galleries [redacted] Swiss Cottage, the latest tranche from the collection gives us the work of two sculptors, Richard Wilson and [redacted] Artschwager, and a photographer of peculiar ambiguity, Cindy Sherman ([redacted] Boundary Road, NW8: until July – open weekends or by appointment). The emphasis, we are told, is now much changed, yet here is the work of two Americans and an Englishman, much of it recent and all of it as uncompromising in its modernism as ever. Whose is the counsel to which Charles now defers? It might even be his own.

Of this present work, it is the more straight-forward, the sculpture of Richard Artschwager, that is the less interesting. In the bland images he has derived from furniture, boxes inlaid with Formica or empty picture frames, he gives us a decorative minimalism that is merely academic. The justification, that they make ironical reference to the cheap mass-produced furniture of the television age, is unconvincing – as well argue the profundity of wall-to-wall carpet. His two earlier pieces here, a lectern and a confessional box, both of them markedly more literal in their references, are the more intriguing, for their deeper and more ambiguous cultural resonances.

The Englishman, Richard Wilson, is also to a degree a victim of academic orthodoxy, that peculiarly tedious academicism of the outsize installation and surreal material disruption of immediate environment or familiar object. To pierce the physical wall [redacted] separates one gallery from [redacted] by setting a greenhouse into and through it, tilted [redacted] some [redacted] from [redacted] floor, takes some [redacted] effort and is [redacted] enough done. So he shows us the innards of the construction of the wall: tests our received perceptions and expections. So what.

But where Wilson does succeed, and succeed spectacularly, is in going even further in his tableau-making, taking the art of the installation to a bizarre extreme, if art it is. He has shown his "20: 50" before, but never to quite such effect as here, where he has apparently filled the long side gallery waist high with sump oil. A narrow, path, growing ever narrower, penetrates this sinister black lake, and to move along it to its end is to experience a most curious *frisson*, an anxious mixture of actual fear of being swamped by the evil liquid, of claustrophobia at its closing presence, and suddenly of vertigo, as the still surface drops away to the clear reflection of the ceiling, far below a now precarious, cantilevered balcony. Scene-setting or side-show, perhaps, but worth the experience.

But it is Cindy Sherman whose work now commands the galleries, both literally and imaginatively. She too works in an area of expression that is ambiguous and debateable, as close [redacted] theatre [redacted] film [redacted] the plastic arts. The statement [redacted] achieved through the [redacted] photograph, technically [redacted] and often very beautiful, but yet its sense is always of a performance arrested, [redacted] significant moment frozen, the story unspoken, unresolved, hanging in the air.

At the centre of every tableau is Miss Sherman herself, at once evidently [redacted] yet oddly impersonal, [redacted]. [redacted] herself [redacted] beautiful, but with a beauty of clear and regular features rather than obvious glamour, the [redacted] of [redacted] model who can assume whatever character required, her image, endlessly repeated, [redacted] of [redacted] particular identity. [redacted] certain self-consciousness remains, a quality of the eyes' [redacted] with [redacted] camera, perhaps, or the wry, self-deprecatory wit that informs even the most elaborate of her *mises-en-scène*, the art-historical parodies especially, with their false bodies and in-jokes.

A long sequence of images is taken from [redacted] *Untitled Film* [redacted] of the late 1970s, now [redacted] in a book recently published by Jonathan Cape (£25). In black-and-white, it both prefigures the much larger and more technically ambitious later work in colour, in its narrative inferences, and [redacted] quite independent in having [redacted] much more direct a source in the narrative of the cinema. The feeling throughout is of the old second feature, the calm, disquieted, pregnant moment before that of truth or terror. Always alone, [redacted] girl [redacted] for the [redacted] on the highest shelf, pauses to light her cigarette, weeps over her drink, looks up from her letter, half turns away from the stove, fiddles with her suspender, waits for her train on the deserted platform. Miss Sherman's work may have [redacted] more ambiguous since, [redacted] implicit narrative more obscure, yet all was there, it seems, from the beginning.

'Untitled No 216' by Cindy Sherman: a photographer of peculiar ambiguity

More Henze

[redacted] HALL

The BBC's rather splendid Henze festival at the Barbican – for once, the "festival" label is perfectly in order – has been the responsibility of Clive Bennett. He deserves serious congratulation (though undoubtedly the composer himself had pressing ideas about what to include). Not only has Hans Werner Henze been prolific beyond almost any contemporary, but the developing range of his music, expressive and inventive, must challenge any attempt to represent it in a few concerts. The BBC programmes are capturing it remarkably well, with the bonus of some striking pieces unknown even to Henze enthusiasts of long standing.

In Saturday's concert by the London Sinfonietta and the BBC Singers, conducted by Ingo Metzmacher, Henze's Choral Fantasy (from 1964) was a lovely discovery, one that other choruses with secure pitch should hurry to make. It sets Ingeborg Bachmann's [redacted] from [redacted] Island" to lucid and, indeed, luminous effect; Henze finds exactly seductive and original [redacted] of rendering the [redacted] idyll, and [redacted] the darkling sense of some distant political menace. In principle, the prescribed accompaniment – [redacted] trombone, a pair of cellos with [redacted] bass, portative [redacted] and a lot of reticent, almost subliminal percussion – [redacted] bizarre, but in performance it sounds utterly natural and telling.

The Five Neapolitan Songs are far more familiar, thanks to Fischer-Dieskau. [redacted] the young Swedish baritone Urban Malmberg delivered [redacted] intelligently, with a timbre of pungent character, [redacted] trepidations moments with pitch. The rest of the concert, far too much of it, went to the "Paraphrases on Dostoyevsky", which is Henze's latest attempt to rescue his 1952 ballet after *The Idiot* (he hates wasting anything).

That came toward the end of his serialist phase, and at the outset of his music-theatre adventures. The result was a score consisting mostly of fragmentary numbers (many of them tantalisingly vivid), intercut and overlapped by long monologues for "Prince Myshkin" – originally from the novel and from the Bible, but later replaced by new Bachmann soliloquies. In Michael Hulse's fine translation, these were delivered by Jonathan Moore in actorish, whingeing, *déclassé* tones: Myshkin was nowhere to be heard. I doubt anyhow that the piece is viable in this form, but at least the glinting, half-developed musical ideas were fascinating to hear.

I missed the foyer performances of *El Cimarrón*, Henze's [redacted] slave-history vaudeville, on Saturday and Sunday, but Sunday evening brought a stirring revival of his 1968 "popular and military oratorio", *The Raft of the Medusa* – after the famous Géricault [redacted], with earnest historical details of the ghastly episode set in a visionary frame. When the French frigate *Medusa*, sent to challenge the British in Senegal in 1816, struck a reef, its officers took the lifeboats and left one wretched raft (and meagre supplies) to the crew of some 150 men and boys. Adrift for two weeks, most of them died.

Henze's narrator (here the excellent Omar Ebrahim) is "Charon", for throughout the action chorus-members cross over from "the Living" on the right, with their distinct wind-band, to the string-supported realm of "the Dead" on the left, where the soprano "La Mort" presides (Beverly Morgan, committed but shrill at the top). Those realms are equally Hell and Heaven, the living death of the short-term survivors and the seductive relief of annihilation. As their dramatic spokesman, the mulatto Jean-Charles (who waves the red signal-flag in Géricault's painting), David Wilson-Johnson displayed his reliable penetration and flair. So did Simon Joly, conducting at short notice when Ulf Schirmer defected.

After the intensely imagined agonies, and a hugely vital "Fugue of the Survivors", Henze appends a truculent late-'60s coda. Over the "Ho – Ho – Ho-chi-minh!" rhythm (which, be it noted, is also the stern motif of Mahler's Sixth), Charon reports that the survivors "returned to the world again, eager to overthrow it". In the circumstances, even if they didn't really do it, that would seem an eminently reasonable response; but it drew a knee-jerk ideological boo from somebody at the end. The rest of us were moved.

David Murray

Hermann Prey

QUEEN ELIZABETH HALL

The first signs of recession in the music industry have begun to make themselves felt. The recent [redacted] of the [redacted] [redacted] came at an awkward moment. The company was in the midst of promoting its own vocal recital series at the Queen Elizabeth Hall, though arrangements happily seem to have been made to salvage the remaining dates from the wreckage.

On Friday it was the turn of Hermann Prey, who returned to London to give an all-Schubert recital. The programme concentrated on the composer's settings of a single poet, Goethe, which includes some of Schubert's most ambitious and demanding pieces and should have ensured an uplifting evening, if the baritone had been on anything like good form. As it was, the singer fought a losing battle.

It is always difficult to write about a vocal recitalist who is caught on an off-night [redacted] Prey, so often the sturdy and reliable performer in the past, is no exception. To watch him counting out the beats in the air in an attempt to keep the momentum [redacted] off-putting, [redacted] before [redacted] consider the tiredness that was evident in the singing.

In the [redacted] it would be unkind to dwell on the first half. Suffice to say that intonation was all over the place and even those vocal lines that set out with some sense of purpose were apt to sag half way through, as though the effort to sustain them to the end [redacted] just [redacted] great. Only with "Erlkönig" did the Prey we know of old succeed in summoning his energies to give a performance of real tension and drama.

Through the second half sheer professionalism achieved more. Though he has never been one of the original thinkers of Lieder interpretation, Prey does have a sure and idiomatic way with the texts, which [redacted] keenly felt in [redacted] Sarastro-like dignity of "Grenzen der Menschelt". The rapturous "Ganymed", beautifully accompanied by Helmut Deutsch, also worked hard to find the right hushed tones of tenderness. A timely reminder of happier evenings.

Richard Fairman

Mozart festival

[redacted] HALL

The Wigmore Hall will be closed for refurbishment by the time the Mozart bicentenary celebrations reach their climax in November, [redacted] the hall may be excused for plunging into its programme of events early. The week-long "[redacted] Bicentenary Festival", devised by György Pauk, has already reached the conclusion at the week-end, although there is naturally more Mozart still to come.

In the main the festival concentrated [redacted] instrumental [redacted], but the last programme on Saturday was graced by a [redacted] of vocal numbers, for which the musicians were joined by Arleen Auger. [redacted] one of the most delightful Mozart singers of the day, though it took her some time to get into her stride on this occasion, with [redacted] in [redacted] voice through the first few pieces and an insuffi[redacted] sense of character.

Even in "Un moto di gioia", which Mozart wrote as a substitute aria for *Le nozze di Figaro*, the singing was on the pale side. A born Susanna would get her teeth into that piece. But in "Deh vieni", the later aria for Susanna that we do always hear, the voice cleared and brought with it a limpidity of phrasing that we would count ourselves lucky to get in the theatre. "Non temer" from *Idomeneo*, imposingly sung, then added the [redacted] sense of drama.

In this and her aria from *Il re pastore* Auger was joined by Pauk, who played the solo violin parts, while Ralf Gothóni filled in the rest of the orchestra at the piano – an [redacted] that did not quite come off in the [redacted] aria, where the violinist unwittingly entered into a competition with the singer and won. Solo instruments carry very easily in this hall. Nor was the edginess of violin tone in the G Major [redacted] K.301, ideal.

Altogether the [redacted] of the evening followed after the interval when Pauk, as second viola, joined the Takács Quartet for a heartwarming performance of the String Quintet in C, K.515. There was no questioning the outstanding quality here: the range of colour, a full burnished glow in the slow movement, a bright sparkle for the finale, enriched understanding at every turn.

One looks forward to other Mozart evenings at the hall this year keenly.

Richard Fairman

Dmitry Bashkirov

QUEEN ELIZABETH HALL

Bashkirov is a leading Russian pianist, not quite 60, who after years of international concert-giving [redacted] denied permission to play outside his native country for most of the 1980s. He is also an important Moscow piano pedagogue, and at least two of his pupils, Dmitry Alexeyev and Nikolay Demidenko, have gained their own followings in this country. The recital he gave on Sunday evening soon transformed initial curiosity into genuine [redacted]; for here was revealed a player of exceptional stature, *a highly individual artist* with a sound all his own and a musical mind of considerable imaginative vigour.

The first half was devoted to Schubert (the C minor Impromptu, D899 no. 1) and then Liszt's piano transcriptions of ten Schubert [redacted]. In [redacted] first one immediately noted a needle-point precision and [redacted] of articulation [redacted] one later came to recognise as a [redacted] stylistic fingerprint. [redacted] attacks cleanly, with exhilaratingly springy rhythm and impetuous urgency in reaching for the [redacted] of a melodic curve; [redacted] rushing the music, he [redacted] it ceaselessly moving forward.

In [redacted] song-transcriptions, [redacted] one a fascinating development of [redacted] lyricism in a [redacted] dimension, Bashkirov's searching musicality brought rich [redacted]. Unlike Shura [redacted], another pianist who favours these small but uniquely gratifying samples of Schubert-Liszt, he doesn't play suave, kittenish tricks with textures; but the disciplined urgency of Bashkirov's art distilled [redacted] each number [redacted] unfolding drama in miniature. In "[redacted] Doppelgänger", the "amen code" which Liszt added to the end of the song was given an almost Mussorgsky-like solemnity; here and elsewhere, the odd jumbled climax or rushed fence was a small price to pay for the gripping impact of *the complete song-sequence*.

Unlike so many of today's [redacted] virtuosos, this pianist also possesses a sense of musical humour: his [redacted] Debussy Preludes from Book 1, "Minstrels" in particular, and his "Isle joyeuse" (expertly paced) had the light, capriciously teasing tone that separates the [redacted] Debussy interpreter from the merely conscientious one. All the distinctive qualities previously displayed – impulsive attack, wit, and an array of sonorities that carry a peculiarly bright, dry sparkle – were gath[redacted] together in [redacted] recital finale, a brilliant and captivating [redacted] of the Prokofiev Fourth Sonata. I hope Bashkirov returns here soon, and often.

Max Loppert

Belle Reprieve

DRILL HALL, W1

The last time I bumped into *A Streetcar Named Desire* was in a production staged [redacted] money for an Aids charity. It struck me then that they were crazy to play it [redacted] Blanche was just waiting for a drag queen to have his wicked way with her.

The point is not as flippant as it might seem, since Tennessee Williams' evocation of a magic lush with a truthful of exquisite [redacted] and a head full of airs and graces touches a chord of desperate decadence that always [redacted] in the background of genuinely gay transvestism, while it takes no great stretch of imagination to see the brutishness of her brother-in-law Stanley as [redacted] homophobia.

Enter Bette Bourne, flamboy[redacted] founder of the [redacted] ensemble Bloolips, part [redacted] thing, part pantomime dame. Enter [redacted] Split Britches, a [redacted] lesbian company which has made its second home in the Drill Hall. The promise, [redacted], [redacted] the [redacted].

[redacted], Tennessee Williams barely gets a look-in. His themes fight [redacted] the surface now and again, only to be *drowned out by an overplus of knavery* which is clearly geared to a particular camp following. Yes, but which camp? A peculiar feeling began to emerge during the evening of sitting at the intersection of two distinct audiences, one of which [redacted] Split [redacted] and the [redacted] of which would [redacted] for [redacted] Bourne. That split [redacted] encouraged by a [redacted] which sets a [redacted] relationship (Stella and Stanley) against a gay one (Blanche and Mitch).

A [redacted] polite exercise in turn-taking gives [redacted] pair their share of the spotlight: [redacted] in a [redacted] of tutu netting being [redacted] by an angel to a cheeky little ditty, "Supernatural Being": Stella (the glamorous Lois [redacted] being romanced by [redacted] Shaw's [redacted] in the show's most openly [redacted] number, "Sweet Little Angel".

Two very different traditions *rub along divertingly enough*, beautifully accompanied in everything from Gershwin to Muddy Waters by the piano-playing wizard Laka Daisical, but the sparks only begin to fly near the end when the impending rape of Blanche by Stanley allows Tennessee Williams [redacted] crash [redacted] together.

For a rare [redacted] ousness, the drag queen [redacted] the pathetically raddled victim of a lesbian's sexual bullying. It is a shocking and moving reversal, which is all the more poignant for being immediately laughed away in an extended joke about genre.

Claire Armitstead

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Oliver [redacted] a double-bill of Schönberg's [redacted] glückliche Hand and Morton Feldman's [redacted] opera Neither, with libretto by [redacted] Beckett. Staging [redacted] Pierre Audi, [redacted] soprano Reri Grist (255455)
Concertgebouw 20.15 All-Shostakovich programme played by Nieuw Sinfonietta Amsterdam conducted by Lev Markiz (718345)

ANTWERP

De Vlaamse Opera 20.00 Robert Carsen's new production of Manon Lescaut conducted by Silvio Varviso, with Miriam Gauci in the [redacted] role. Also Thur and Sat (233 6685)

BERLIN

MUSIC
Staatsoper [redacted]r den Linden 19.00 Il trovatore ([redacted]4 762)
Deutsche Oper 19.30 Eine Volkssage, a Bournonville [redacted] by Niels Gade, choreographed by [redacted] (3410 249)
Philharmonie Kammermusiksaal 20.00 [redacted] Barenboim [redacted] in all-Mozart programme with Berlin Philharmonic Orchestra, [redacted] tomorrow, Thurs and Fri (2614 [redacted])
THEATRE
Berliner [redacted] 19.00 Baal, Brecht's play directed by Reiner Bredemeyer (2827 712)
[redacted] Theater [redacted] Egmont (2871 225)
Maxim [redacted] **Theater** 19.30 One [redacted] The [redacted] by Dale Wasserman (2082 748)

BRUSSELS

Palais des Beaux Arts [redacted] Quartet plays [redacted] string quartets. Friday and Sunday: Belgian National [redacted] by [redacted] Zollman play Webern, Sibelius and Tchaikovsky (507 8200)
Monnaie 20.00 The Hard Nut, a new interpretation of Tchaikovsky's Nutcracker by Mark Morris. [redacted] tomorrow, Fri and Sun (219 6341)

CHICAGO

Orchestra Hall 19.30 Catherine Comet conducts Chicago Symphony Orchestra in programme including Sowerby, Ravel, Franck and Kalinnikov's First Symphony (435 6666)
Lyric Opera 19.30 Die Zauberflöte, an Everding production conducted by Gustav Kuhn, with cast headed by Karita Mattila, Sumi Jo, Robert Lloyd [redacted] Jerry Hadley. [redacted] (332 2244)

FRANKFURT

Alte Oper [redacted] Giuseppe Sinopoli [redacted] Philharmonia [redacted] in Mahler's [redacted] Symphony. [redacted]: Hermann Prey [redacted] Schubert [redacted]

HAMBURG

Deutsches Schauspielhaus 20.00 Michael Bogdanov's production of Under [redacted] Wood (248713)

LEIPZIG

Opernhaus [redacted] First night [redacted] Julien Sorel, new ballet choreographed [redacted] Yuri Vamos, music by Elgar. [redacted] Sun (7168 273)

LONDON

MUSIC
Covent Garden 20.00 Jeffrey [redacted] John [redacted] production of Capriccio, with Kiri [redacted] Kanawa, Anne [redacted] Thomas Allen. [redacted] (240 1066)
Royal Festival Hall 19.30 Academy of St. Martin-in-the-Fields conducted [redacted] Neville Marriner play Cherubini, [redacted] and [redacted] (928 8800)
Queen Elizabeth Hall 19.30 Messiah with [redacted] Orpheus [redacted] Choir [redacted]
[redacted] [redacted] Henze Festival: Tristan and [redacted] Symphony played by BBC Symphony [redacted] conducted [redacted] Alexander Lazarev (638 8891)
THEATRE
This [redacted] include [redacted] The Homecoming directed by [redacted] Hall (Comedy), [redacted] The [redacted] (Garrick), Ayckbourn's [redacted] Person Singular (Whitehall), [redacted] Wind in [redacted] with a [redacted] led by [redacted] (National), [redacted] as [redacted] III (National) and [redacted] Cox as King Lear (National). [redacted] Theatreline: Plays 0836 [redacted] 0836 430960 [redacted] Thrillers 0836 430962

MILAN

Teatro all [redacted] 20.00 Pier Luigi Pizzi's production [redacted] Le [redacted] Ory [redacted] Campanella, with [redacted] as [redacted] tomorrow, Fri and Sun (7200 3744)

MUNICH

Staatsoper [redacted] Yuri Lyubimov's new production [redacted] The Love for Three Oranges [redacted] by Wolfgang [redacted]. Also Thurs (221316)

NEW YORK

MUSIC
Avery Fisher Hall 20.00 [redacted] Dutoit [redacted] York Philharmonic in Kodaly, Schumann [redacted] Dutilleux's Cello Concerto, with Lynn Harrell (874 2424)
[redacted] York State Theatre 20.00 [redacted] York City Ballet in Balanchine's Allegro Brillante and Vienna Waltzes (870 5570)
Metropolitan Opera 20.00 [redacted] Godunov with Paul Plishka, Sergei Koptchak and Heinz Zednik. Tomorrow and Sun: Faust (362 [redacted])
THEATRE
This [redacted] include [redacted], musical by Stephen [redacted] (Playwrights Horizons), City [redacted] Angels, [redacted] about Hollywood in [redacted] (Virginia), [redacted] Blue, an evening [redacted] jazz, blues and tap-dancing (Minskoff). [redacted] inquiries [redacted]

PARIS

MUSIC
Opera Bastille [redacted] of [redacted] Opera [redacted] play chamber music by [redacted] and [redacted] in [redacted] Amphitheatre (4001 1616)
Palais Garnier [redacted] All-Mozart programme with [redacted] London [redacted] Players [redacted] by Roger Norrington (4742 5371)
THEATRE
Comédie Française [redacted] Le [redacted] malgré lui [redacted] by [redacted] Fo. [redacted] 4360)
Théâtre des Bouffes du Nord 20.30 [redacted] production [redacted] The Tempest. Runs till March 2 (4607 3450)

PRAGUE

[redacted] Hall 20.00 Petr Vronsky conducts Prague Symphony [redacted] in [redacted] and Prokofiev, repeated tomorrow

VIENNA

Staatsoper [redacted] Natalia Troitskaya sings Tosca. Tomorrow: [redacted] Neumann conducts Rusalka, with Gabriela [redacted] (51444 2960)
Volksoper [redacted] La Cage aux Folles (51444 [redacted])
Musikverein [redacted] Vienna Music Forum in programme [redacted] 20th century chamber music. Tomorrow [redacted] Fri: Kuchl [redacted] Wincor play string [redacted] quintets by Mozart ([redacted] 8190)
[redacted] by Till Fellner. Fri: Sinopoli [redacted] Symphony with the Philharmonia [redacted] (7124 6860)
Telephone [redacted] for Staatsoper and Volksoper available worldwide [redacted] ringing Vienna [redacted] 513

WASHINGTON

Kennedy [redacted] Hall 19.00 National Symphony [redacted] Randall Craig Fleischer play Sibelius, Dvorak [redacted] Thurs, Fri [redacted] Jiri Belohlavek conducts [redacted] Janacek, [redacted] Rudolf Firkusny piano (467 4600)
Kennedy Center Opera [redacted] 20.00 [redacted] Ballet [redacted] season runs till [redacted] 27, [redacted] performances on Sat and Sun (467 [redacted]600)

ZURICH

Opernhaus [redacted] Der Zigeunerbaron, [redacted] Sun. Tomorrow and Fri: [redacted] conducted by Nello [redacted] (251 0909)
Schauspielhaus 19.30 Ibsen's An Enemy [redacted] the People, [redacted] Fri. Tomorrow: Le Misanthrope directed by Rudolf [redacted] (251 1111)

European Cable and Satellite Business TV
([redacted] CET)
MONDAY [redacted] FRIDAY
Eurosport
[redacted] ness report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
[redacted] Market Watch
[redacted]
[redacted] Business Tonight - a joint FT/CNN production with a review [redacted] the day's major [redacted]
2300-2330 [redacted] Tonight
[redacted] Moneyline
Superchannel
0700-0830 Financial [redacted] Report
[redacted] minute [redacted] ing [redacted] three [redacted] 0700 and 0800
2130 (Wed only) Financial Times [redacted] Weekly - [redacted] round-up.
SATURDAY
CNN
[redacted] Moneyline
[redacted] World [redacted] Tonight - a joint FT/CNN production.
1540-1610 Moneyweek
1900-1930 World [redacted] This [redacted]
[redacted] Your Money
SUNDAY
Superchannel
1800-1830 FT Business Weekly
CNN
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside Business

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday January 15 1991

A Cap fit for the Gatt

WELCOME signs are now emerging that the European Community is having second thoughts about farm reform. But the process [redacted] elaborating new ideas must be radically [redacted] up if it [redacted] lead [redacted] the revival [redacted] stalled Uruguay Round [redacted] trade negotiations.

It is already too late for Mr Arthur Dunkel, director-general [redacted] General Agreement on Tariffs [redacted] Trade, to announce sufficient movement for negotiations [redacted] when [redacted] reports to members today. War [redacted] the Gulf could now further distract [redacted] from trade, pushing the round into indefinite abeyance.

This might be a matter of satisfaction for Europe's protected farmers, but it would be a severe setback for the trading system as a whole. The European Commission is one body which cannot claim to have its hands full with the Gulf. Its contribution should be to ensure that momentum is not lost in other urgent international issues such as the Uruguay Round. It must therefore come up with an improved offer on farming designed to revive the talks.

Budgetary worries

[redacted] with [redacted] new approach [redacted] farm [redacted] is that [redacted] involves long-term reform, [redacted] much more by internal budgetary worries than by the [redacted]. Envisaged [redacted] a greater emphasis on targeted income support, combined with the traditional high prices to consumers and an increasing [redacted] of supply control. Though this [redacted] as thorough-going a [redacted] of the Common Agricultural Policy as some in [redacted] have suggested, it would still take many months of wrangling among member states to agree.

Welcome as they are, the new ideas are too embryonic to give the Uruguay Round the quick shove it needs if it is to be revived and completed within the current deadline of March 1. While it dabbles with CAP reform the Commission has been refusing further short-run amendments to its Gatt offer to cut farm subsidies by 30 per cent, beyond those which were already rejected by the US and Cairns group of farm exporting nations at December's Gatt summit.

The fact that the Community has its own financial reasons for looking at long-term reform would, however, add credibility to any fresh offer it makes in the Uruguay Round. Parallel to its longer-term reform discussions, the EC must revise its Gatt offer to cut subsidies by 30 per cent.

By the end of the Brussels ministerial meeting the EC had indicated its willingness to negotiate specific commitments on export subsidies, import barriers and domestic supports. But its offer was verbal, vague and hedged with conditions, such as its unacceptable call for a "non-aggression pact" in farm trade.

Concrete offer

Against the backdrop of the longer-term reform discussions that are now in train, there is no reason why these vague murmurings should not be refined and transformed into a concrete offer. Mr Frans Andriessen, external relations commissioner, is travelling to Latin America and the US next week. To arrive there without anything new would simply rub salt in the wounds remaining after last month's failed Gatt summit. The ill-feeling would be so great that it might be the surest way of consigning the whole four-year effort to oblivion.

At the very least a revised offer should incorporate a formal willingness to extend the reform process into the second half of the decade, possibly by phasing in reform over a 10-year period starting from 1989. The EC should also drop its claim for 1986 to be the base year from which the level of subsidies is calculated.

If that were to happen, the US should respond favourably. Even though this would fall far short of what Washington has been demanding, it would still mark a fundamental reform, way beyond what the EC has offered hitherto.

[redacted] Bush administration would [redacted] ample grounds for persuading Congress to agree to a short extension to its negotiating deadline, something [redacted] a war in the Gulf would probably make necessary in any case. A useful, and indeed path-breaking, trade round could then still be completed.

Next steps for the BBC

IN its long history, the BBC has been much subject [redacted] scrutiny by politically-inspired management consultants. But even by the standards of the genre, the report [redacted] by Price Waterhouse and published in summary by [redacted] Office yesterday is a threadbare piece [redacted].

Cobbled together in [redacted] on [redacted] of sometimes suspect [redacted] data, [redacted] report has enabled [redacted] government to propose a gentle financial [redacted] squeeze this year to be followed by [redacted] in which the [redacted] will be increased in line with inflation, as it has been since 1988. This year, the fee will rise by the retail price index less three percentage points, a pressure relieved by the fact that the point of indexation was September, when the 12-month increase in the RPI was 10.9 per cent, and the point of implementation was April, when inflation will be back in single figures.

Thus in 1994, [redacted] BBC will look back on six years during which [redacted] income will have remained more or less [redacted]. In the same time, UK [redacted]casting will have had [redacted] revolu[redacted] TV [redacted] born, suffered corporate [redacted]out and gained access to one in 15 British homes. Independent TV production is established. New national radio franchises have been determined. The Broadcasting Act has increased competitive pressures within the ITV system. And now commercial broadcasters [redacted] in their [redacted] advertising [redacted] for a [redacted]. From [redacted] point [redacted] view, it is a satisfactory [redacted] a decade of Tory turbulence.

The political purpose [redacted] yesterday's study [redacted] the BBC off the government's agenda with minimum [redacted] bench objection until the eve [redacted] 1996, when the BBC's governing charter is due to expire.

Provisional schemes

[redacted] who agree that the BBC makes [redacted] great contribution [redacted] quality broadcasting will not complain of this, but there are reasons why the financial and [redacted] arrangements which have [redacted] BBC [redacted] the birth of [redacted] cannot be expec[redacted] out the century.

The most obvious is that both technology and public taste point to the demand for more television and radio delivered by a wider spectrum of broadcasters. This more diverse, more mature broadcasting industry should be subject to minimal regulation and to no political constraints. In its present form, the BBC is too large and powerful for [redacted] a [redacted] broadcasting environ[redacted].

Questionable tax

It [redacted] also questionable whether a [redacted] on TV set ownership will remain an acceptable mechanism for funding a broadcaster [redacted] share [redacted] the [redacted] audience [redacted] is bound to diminish from almost 50 [redacted] cent, unless [redacted] goes [redacted] in [redacted] of audience and ultimately [redacted].

On both cultural [redacted] financial grounds, therefore, [redacted] would [redacted] better [redacted] for [redacted] BBC a mixed funding base, [redacted] elements could include sponsorship, [redacted] advertising, [redacted] form [redacted] voluntary public sub[redacted] Council style grant – itself perhaps funded by a licence fee. The alternative is a smaller [redacted] fee [redacted] smaller BBC paid to [redacted] the public [redacted] programmes [redacted] commercial sector cannot provide.

With [redacted] funding base, it would be possible to envisage a more robustly indepen[redacted] for the BBC and [redacted] the stimulus to address the corporation's chronic [redacted] problems. Sir John Harvey-Jones, the former chairman [redacted] ICI turned TV programme maker, was not far [redacted] when he said recently that the BBC has twice as many top managers as it needs. Until the corporation has a [redacted] influence over [redacted] own income, it will not learn effectively to control expenditure and will lack the incentive to create a structure of decentralised operations and lightly staffed centre.

Having, against [redacted] own expectations, done pretty well out [redacted] Thatcher's decade, [redacted] BBC should come clean about [redacted] need [redacted] this managerial reform and couple [redacted] with [redacted] confident stance in the funding debate. That is how to secure the future of the BBC.

Charles Leadbeater compares the pace of telecommunications market liberalisation in the UK with other industrialised countries

Cut-off point for telecoms giants

Around the world great industrial edifices are starting [redacted] crumble. For decades [redacted] group of monopoly providers [redacted] telecommunications networks and services have towered over the economies [redacted] served. Now they [redacted] the prospect [redacted] being [redacted] up by a tide of [redacted].

Ten years ago telecommunications were invariably provided by dull government-controlled monopolies, [redacted] old-fashioned electro-[redacted]anical technology to supply basic telephone services. Indeed, for [redacted] of [redacted] life the telecommunications sector was regarded as a natural monopoly, on the grounds that it would be inefficient [redacted] more than one company [redacted] supply the network and [redacted] telephone calls.

In the last [redacted] all that has changed. The industry has become much more dynamic, with different technologies being used to [redacted] a widening menu [redacted] sophisticated services in an increasingly competitive international market. New technology has [redacted] and [redacted] up [redacted] services to rival the traditional fixed [redacted]. In tandem regulators have begun [redacted] challenge the right of sluggish monopolies [redacted] dominate their markets.

One example is the British government's review [redacted] telecommunications [redacted], which was launched in November [redacted] completed its con[redacted] phase yesterday. The review of the duopoly held by British Telecom and its rival Mercury, owned by Cable and Wireless, is also a tacit recognition that limited liberalisation – in which one competitor has been allowed to challenge BT – has not brought competition to enough areas of the market. The review is intended to lead to a greater degree of free-market competition in the sector but to maintain protection for [redacted] through the retention of a strong regulatory body in the Office of Telecom[redacted] (Oftel).

If all the review's [redacted] proposals [redacted] enacted, any [redacted] could [redacted] run land-based networks [redacted] provide international, long-distance and local [redacted], in competition with BT and Mercury. Mobile telephone operators, employing radio technology, [redacted] companies, using broad-band [redacted] optic cable, would be encouraged to compete [redacted] established fixed networks. Non-telecommunications companies would [redacted] greater freedom to run their own private networks.

The [redacted] would [redacted] the British market [redacted] the head [redacted] world liberalisation movement. [redacted] are finding [redacted] to make markets more competitive. They are also displaying different appetites for change.

[redacted] – [redacted] the UK, [redacted] US, [redacted] Zealand, [redacted] and Japan [redacted] gone far further than Germany, France [redacted] – threatens [redacted] a two-speed approach [redacted] liberalisation among [redacted] developed countries. In eastern Europe Poland and Hungary are moving more quickly towards privatisation than other states. Meanwhile privatisation is beginning to roll through developing countries such as Malaysia, Mexico, Chile and Argentina.

The [redacted] industry is now a patchwork of markets at various [redacted] of openness to [redacted]. This creates the potential for growing friction between countries such as the UK, one of the most liberal and open, and France and Germany, which are the most suspicious of foreign [redacted]ment in their industries.

Altering the status of the monopoly providers is [redacted] the core of liberalisation. Without putting them on [redacted] more commercial footing, with complementary restructuring or regulation, the second, more important stage of the process [redacted] under way – creating a more competitive market.

In most industrialised countries post and telecommunications operators such as the old [redacted] in the UK [redacted] been split into their constituent parts. This division has just been completed in Germany and France.

Britain started the trend towards commercialisation with privatisation of BT in 1984. Since then Japan and New Zealand have followed the same path: Australia [redacted] selling Ausat, its international satellite [redacted] and there [redacted] been privatisations in Malaysia, Argentina, Mexico and Chile. More cautiously, the German government has said it plans to sell [redacted] minority stake in Deutsche Telecom.

Far from slowing down, however, many observers expect the privatisation bandwagon to gather momentum in the 1990s. Ms Janice Hughes, of Booz, Allen & Hamilton International, the management consultants, estimates there could be $150bn worth of telecommunications privatisations in the next five years in eastern Europe and the developing world.

Equally important, some countries have also decided to restructure their telephone companies to create greater scope for competition. The model was provided by the break-up of AT&T, the private monopoly, into eight regional companies and a single long-distance operator with the aim of creating a more competitive structure for the US industry.

The danger is that without breaking up companies which [redacted] among [redacted] in the world, the privatised monopolies will still dominate potential competitors.

[redacted] alternative [redacted] keep the monopoly [redacted] but [redacted] impose [redacted] regulation [redacted] prevent the privatised [redacted] abusing [redacted] power. In [redacted] UK the work of Oftel is providing a model [redacted] regulators in other countries, notably [redacted] European states.

Liberalisation to promote competition has proceeded at different speeds in [redacted] parts of the telecommuni[redacted].

■ [redacted] terminal equipment, such [redacted] telephones and facsimile machines, are the most [redacted]. [redacted] of sockets, plug-in phones, and mobile [redacted] increased the scope for equipment manufacturers.

The creation of more competitive equipment [redacted] has [redacted] the main force behind a sweeping international restructuring of [redacted] equipment manufacturing sector, which has left Europe with only three substantial manufacturers, Alcatel of France, Siemens of [redacted] and Ericsson of Sweden. They are now in a position to challenge the likes of AT&T and the Japanese producers Fujitsu and NEC.

■ The newest value added data services, such as [redacted] and electronic [redacted] interchange, are the next most liberalised part of the market. The EC plans a [redacted] liberalisation of basic data services from 1993.

Although data services are expected to grow strongly they only account for about 10 per cent of telecommunications traffic (the remainder is voice traffic).

■ Private internal networks run by large corporations, using lines leased from [redacted] operators, have expanded as business users have sought an alternative to the public network. Many leading international companies such as IBM now run significant telecommunications networks. Companies are searching for the countries, such as the UK, which offer an attractive base for their internal networks, by providing cheap leased lines.

Liberalisation has put the UK at the head of development of international private networks. The largest share of the 14,000 private networks in western Europe is in the UK which has 4,500.

■ Mobile telephony is the next most liberalised area of the market. Regulators have used the emerging opportunities of radio technology to challenge the dominance of the monopolies based on copper wire.

Although mobile telephones have penetrated the telecommunications market furthest in Scandinavia, the UK has taken a lead in promoting competition by licensing eight operators to run cellular, telepoint and per[redacted] network [redacted]. Most western European countries are licensing two mobile operators, while in eastern Europe some argue investment should go into installing mobile networks rather than trying to modernise ailing electro-mechanical systems.

The British review will further the development of mobile services by allowing mobile operators to link into the fixed land-based network. This will widen the range of options for mobile phone users and extend the reach of mobile networks. Radio links could increasingly replace wiring in buildings and between subscribers and the local exchange which would link them into the trunk network.

● Where competition has been slower to take off in the UK than some other countries is in the basic telephone network. BT's only rival, Mercury, has competed mainly in a small segment of the business market. Although the UK is ahead of all other EC members, in practice competition has only just started.

Under the government's proposals competitors, such as British Rail, which has its own significant telephone network, would be free to enter the local, long-distance or international markets. Britain's cable television companies, mainly owned by regional US telecommunications companies, will be allowed to carry both television and telephone services through their cables.

The review will make the UK at least as liberalised as the US, where there are three long-distance and international providers, and Japan, where three companies compete in the international market and there is considerable competition in long-distance services.

However, there are still doubts about how much competition will be generated in the UK local networks which have not benefited from the kind of investment put into the trunk network. The lack of competition in this area is one explanation for the difference in quality of service on the two sides of the Atlantic.

The supposed telecommunications natural monopoly has been eroded in international and long-distance services where it has proved economic for competitors to enter the market by installing their own infrastructures. But while it may be economic for several operators to provide an inter-city trunk network carrying large volumes of traffic it may not be economic for more than one operator to install networks in every neighbourhood. The natural monopoly may still exist in local networks.

Liberalisation in the last decade has yielded three main lessons, and three main questions.

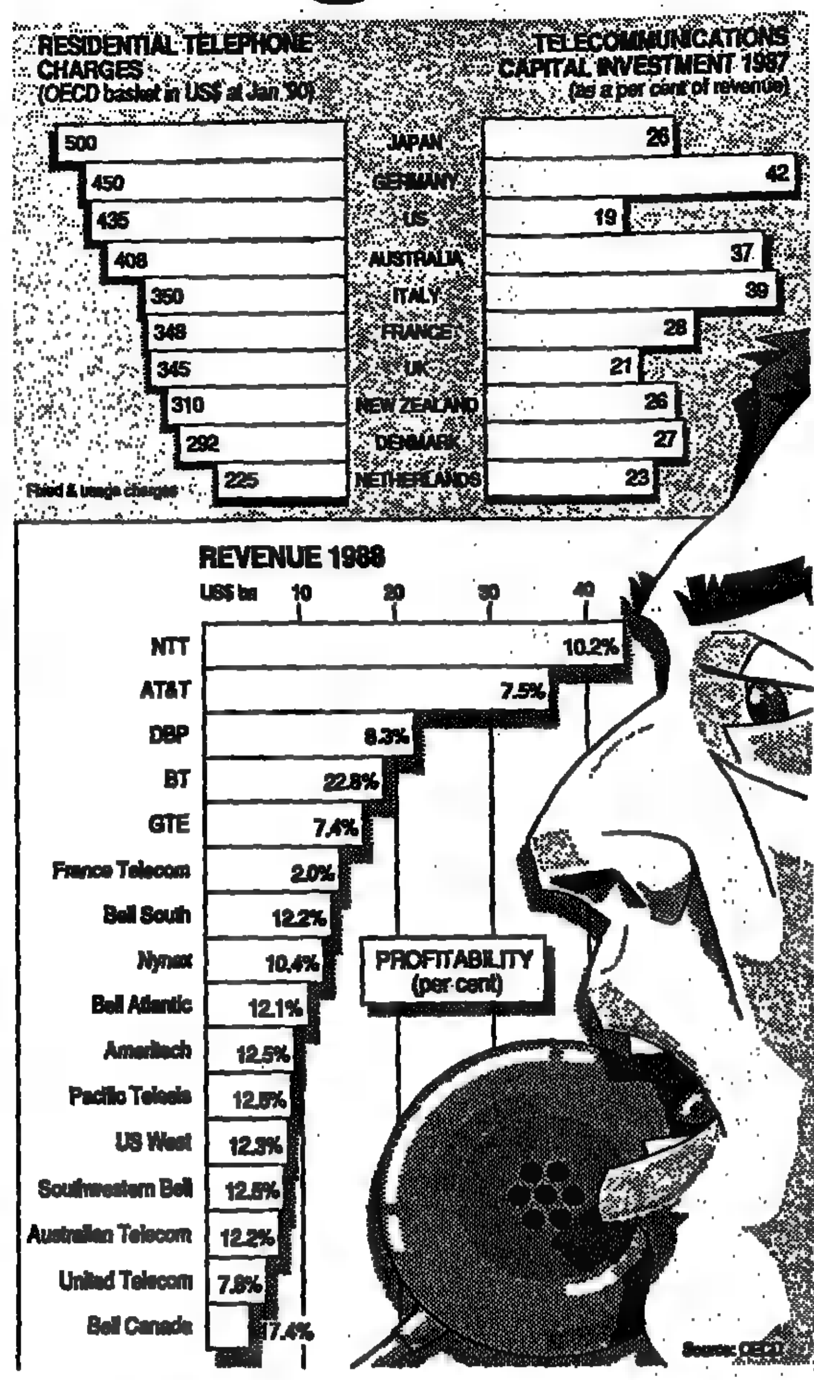
First, liberalisation is not the only route to modernising telecommunications networks and services but it is one of the most effective. The French have travelled a considerable distance through state intervention. But liberalisation has proved to be a strikingly effective way to encourage the adoption of new technologies, cut costs and extend the choice of services on offer to consumers.

However, there is still a question mark over whether it will produce a significant increase in investment in telecommunications networks. Despite liberalisation, amounts invested have remained relatively stable in the last decade.

Second, liberalisation is a process rather than an event. The old monopolies such as AT&T, NTT and BT still dominate. Without determined regulation to promote competition the free market will wither.

Third, as it chips away at the old monopolies, liberalisation is throwing in doubt the integrity of the universal networks they ran. In future there will be a mosaic of networks – private and public, mobile and fixed, broad-band fibre optic cable and narrow-band copper. Regulators will become more concerned with how these networks will be connected to one another. They will also have to decide how the public service obligation, to provide subscribers with a service even if it makes a loss, should be financed.

None of the pioneers that struggled in the mid-1980s to set off for the brave new liberalised world has reached its destination. But it is clear the journey will take longer than expected and those that arrive will find that it is more exciting and much more complex than the world they left behind.



Hot under the Collor

■ It is highly unusual for a head of state to decide to sue the news media. But Brazil's image conscious President Fernando Collor [redacted] determined to show the world that his 147m-strong country is not "some banana republic". [redacted] is taking [redacted] Sunday Times to court over allegations about his personal background that appeared in last week's colour supplement.

"The honour of the country is [redacted]" says an official. Antony Kerman [redacted] London solicitors Forsyte Kerman has been hired to begin [redacted] legal action. But The Sunday Times is sticking by [redacted] story which labelled President Collor, Captain Marvel, before dwelling on unsavoury allegations about the 41-year-old president's playboy past.

President Collor is no doubt upset that his honeymoon with the foreign press is over. But what has really infuriated the egocentric Brazilians is [redacted] article's demonstration that common gossip inside Brazil can be repeated [redacted] the international stage. Brazil, which is beginning to open i[redacted] long-protected market, feels betrayed.

Its press and politicians, including Delfim Neto, the former finance minister, have been quick to blame the foreign creditor banks with whom talks are due to resume today. Reflecting the country's paranoia over its relations with its bankers, they claim the Sunday Times story was the result of lobbying by the banks to blacken the president's name internationally.

Capel's import

■ Bernard Asher, James Capel's new chairman, is not a banker. But his appointment is the surest sign to date that Capel's free-wheeling days are over. Its Hongkong and Shanghai Banking parent has lost patience – and, as with its other wayward offspring in Australia and the US – it wants its own men in charge.

Peter Wrangham, the career Hongkong banker who replaced Capel's independently minded Peter Quinnen last March, [redacted] very [redacted] a caretaker appointment, while [redacted] whether James Fergusson, architect of Capel's heady international expansion, or David Dugdale, responsible for the domestic business, might fit the slot. They remain as deputy chairmen of the group. But the arrival of Asher, a main board director of the parent, signals a much more hands-on approach by an international bank which has been long renowned for the degree of independence it permitted its subsidiaries.

The 54-year-old Asher was being suitably diplomatic about his new responsibilities yesterday. But if Capel is to have a healthy long-term future he will need to get an early grip on a cost base that is fatter than many of its competitors?

Up and down

■ There can be few industries which are quite as mercurial as City of London financial public relations firms. Yesterday saw Alan Parker, son of Sir Peter Parker and founder of Brunswick, underscore his firm's rapid ascendancy in this ethereal business by hiring David Brewerton, The Times' well-regarded City editor. Meanwhile on the other side of the City, the shares of Broad Street Group, founded by Parker's old colleague, Brian Basham, were suspended ahead of a possible rescue by its French shareholder.

Parker says that he is not going to make Basham's mistake of going public and making expensive acquisitions. It is the sort of promise which just might be [redacted]uietly forgotten come the next bull market. Whoever heard of a PR person who did not want to get rich quick?

OBSERVER

"Any idea what the date is today?"

Canadian spirit

■ Cliff Hatch, the sharp Canadian MBA, who came straight into the Allied-Lyons boardroom from the newly-acquired Hiram Walker in 1986, is the popular tip to succeed the imposingly lofty Richard Martin as next chief executive.

Hatch, now Allied's finance director, was president and chief executive of Hiram Walker's spirits business whose brands – Ballantine's, Canadian Club, Courvoisier, Tia Maria and Kahlua – firmly [redacted]lished Allied in the international drinks business.

That business now accounts for half of Allied's profits and its dominance is still growing. [redacted]hael Jackaman, who has run the operations with such success, is to succeed Sir Derrick Holden-Brown as chairman – and it would not be surprising if Hatch's experience in that area proved decisive in t[redacted]utive.

Holden-Brown's first job after wartime naval service was also with Hiram Walker, which added to the satisfaction of his coup in buying the company 27 years later while at the same time fending off a bid for Allied from Elders' John Elliott.

But both he and Martin rose to the top through Allied's breweries and their departure will further underline the decline of the beerage.

One of their final tasks, in fact, will be to decide in the aftermath of the Monopolies and Mergers Commission changes whether Allied should quit brewing completely.

Biters bit

■ Trick questions and other dodges to throw job-candidates off balance are a constant menace in recruitment interviews. Research studies suggest that interviewers concentrate more on trying to trap applicants into disqualifying themselves, than on assessing whether they fit the job on offer.

So it's refreshing to hear that candidates sometimes turn the tables on interviewers. Here is what a selection of US employers said when asked by the Accountemps recruitment agency about their oddest encounter with an applicant:

Arrived with a snake around her neck. Said she took her pet everywhere.

When asked about loyalty, showed a tattoo of his girlfriend's name.

Said if he was hired, he'd teach me ballroom dancing at no charge, and started demonstrating.

Indicated that if he wasn't hired, the future of the company would be jeopardised for confidential reasons.

But Observer's prize for the most economical piece of interviewer-dumbfounding goes to the following:

Applicant walked in [redacted] inquired why he was here.

Continued on Page 31

هكذا من الأصل

Tony Walker describes the unflagging rhetoric employed by the Iraqi leader as the deadline for possible war draws to a close

Eleventh-hour calculations facing Saddam [redacted] the brink of [redacted] inferno

Japan's ambassador to Iraq eloquently summed up the mood among the few remaining envoys in Baghdad on the eve of the United Nations war ultimatum. "We are," said Mr Kunio Katakura, "on the way to Dante's Inferno."

It is hard to disagree. As minutes tick away to tonight's midnight deadline for Iraq's withdrawal from Kuwait the sense is spreading in the Iraqi capital that, barring a miracle, war in the Gulf in the coming days has become all but inevitable.

Even Iraqis who had determinedly hoped for a solution since the early days of a crisis are losing faith. "Insh'allah, God willing, there will not be a war," they say, with less and less conviction.

Perhaps more than any other event, the US Congress's decision at the weekend to authorise force brought home the threat, and the failure of the United Nations secretary-general's peace mission virtually buried hopes of a last-minute compromise. President Saddam Hussein's pre-dawn television message yesterday in which he urged his people to die for Kuwait and railed against US pressures for him to withdraw was one more exceptionally gloomy portent.

The Iraqi leader himself may well [redacted] he has passed the point of no return. Less fatalistic Iraqis still find [redacted] hard to accept that their leader is willing to risk a devastating conflict against a vastly better-equipped foe. "The q[redacted] is," asked an Iraqi intellectual, "whether this man is prepared to go to war? How can he ever imagine if he goes to war that he can win? This is ridiculous, this is baseless."

In Baghdad these days – where, curiously enough, war preparations are only now beginning to become noticeable – there are more questions than answers. Almost all focus on the personality and intentions of Mr Saddam.

Iraqi officials say that Mr Saddam is comfortable with the choices he has made and the challenges he faces. "We believe," said Mr Naji al-Hadithi, Iraq's director of information, "that war can take place at any time: we are not terrified."

It is this sort of bravado that worries foreign observers, who fear Mr Saddam underestimates the military threat, has no real concept of US might and has somehow talked himself into believing that he can withstand a US-led onslaught.

He addressed these issues in a speech to a conference of Islamic militants last week in which he assured his audience that Iraq was well-prepared for battle.

"If you go to the front line you'd find thousands of tanks and millions of men," he declared. "But not many would be on the ground – they are underground in strong reinforced positions, but as soon as the enemy attacks our soldiers will rise against them."

Mr Saddam claimed that the Iraqi army and air force had been practising for more than a year techniques to deal with a communications blackout of the kind that might follow successful US attacks against Iraq's communications system – likely to be one of the first US targets.

If he believes the Iraqi military and air force, deprived of its means of communication, can perform creditably against a modern force, the dangers of miscalculation are real, and the possibility of a last-minute Iraqi backdown negligible.

Saddam's options seem extremely limited, but several possibilities suggest themselves and are still the subject of whispered conversation in Baghdad salons. One is for him to stage a unilateral withdrawal from Kuwait at the "eleventh hour and fifty-ninth minute". This is seen as extremely unlikely in the present climate because it would represent a humiliating backdown without reward.

Another option is for Mr Saddam to announce a willingness to withdraw from Iraq's "19th province" in return for an undertaking that an international conference on the Arab-Israel dispute be held within a specified time. But the US has said repeatedly: "No linkage."

Then again, the Iraqi leader may be calculating that he can entice the US into a short and bloody conflict and then ask for a ceasefire amid increasing international clamour for an end to the carnage. Such a step would be extremely risky, since Mr Saddam could not be sure that once the [redacted] had set about demolishing the Iraqi war machine it would stop.

But this third scenario may have most appeal if Mr Saddam has indeed resigned himself to war. For a [redacted] who has almost certainly thought hard about likely conditions in Iraq after the crisis – its economy crippled by debts and sanctions, its military fractured and its ruling Ba'ath party deeply shaken – a short war followed by an honourable truce may be the best of [redacted] series of bad options.

If Mr Saddam were to emerge from [redacted] lightning engagement with his military more or less intact, and having inflicted a respectable amount of damage on the enemy, his position might be enhanced in Iraq and the wider Arab world. There are echoes here of the 1956 Suez crisis, in which President Nasser [redacted] Egypt was bloodied by Britain, France and Israel but could claim victory and emerge as the paramount Arab [redacted]

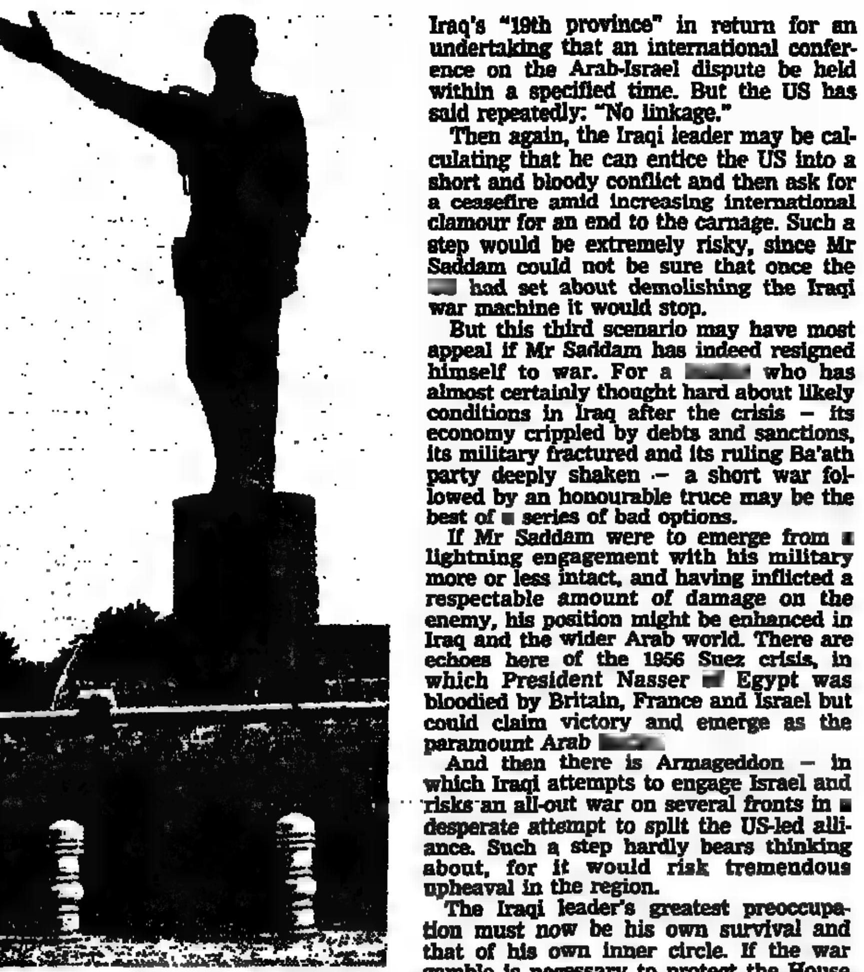
And then there is Armageddon – in which Iraqi attempts to engage Israel and risks an all-out war on several fronts in [redacted] desperate attempt to split the US-led alliance. Such a step hardly bears thinking about, for it would risk tremendous upheaval in the region.

The Iraqi leader's greatest preoccupation must now be his own survival and that of his own inner circle. If the war gamble is necessary to protect the House of Saddam, then there is little doubt that the Iraqi leader is prepared to expend thousands of Iraqi lives.

Mr Saddam's recent rhetoric has heightened the sense of gloom. Increasingly in his effort to mobilise Arab support, Mr Saddam has espoused revolutionary Islam in terms redolent of Iran under Ayatollah Khomeini. Some Islamic militants, hailing the secular leader for having "returned to Islam", even suggest he now be referred to as the caliph or supreme ruler of a new Arab order.

While the Islamic call to arms expressed by Saddam and his colleagues, who have always been determinedly secular, provokes cynicism among many Moslems, there is concern that the Iraqi leader may be starting to believe in his own messianic powers.

"The danger," said one observer, "is that we have now a military and oil power combined with a third power, religion. This is something very difficult to control."



Richard Tomkins

Saddam: will he take war gamble?

FOREIGN AFFAIRS

History takes its revenge

[redacted] **Mauthner** argues that Mr Gorbachev has properly forfeit much of the west's support following his action in Lithuania

If Francis Fukuyama, the Rand Corporation analyst who postulated the west's definitive moral and ideological victory as "the end of history", were planning any lectures on his theory, this week would not be a good time to give them. History has resumed its old course with a vengeance. The world stands on the brink of war in the Gulf, while the latest Russian Nobel Peace prize winner has gone back on his fine proclamations on democracy and liberty by suppressing the freedom and independence of Lithuanians.

As in 1956, when Moscow used the opportunity afforded to it by the west's concentration on the Suez crisis to send Soviet tanks into Hungary, Mr Gorbachev has struck at Lithuania when the eyes of the whole world are on the Gulf. Even given the critical situation in the Middle East, he should not be allowed to get away with his action, which clearly contravenes the Charter of Paris, adopted by more than 30 European countries, the US, Canada and the Soviet Union only last November.

When the Baltic crisis came to a head early in 1989, there was some justification for the western countries, though they have never accepted the incorporation of Lithuania, Latvia and [redacted] into the Soviet Union, to adopt a restrained attitude [redacted] Moscow's efforts to bring the Baltics to heel. Then it was reasonable to [redacted] Mr Gorbachev the benefit of the doubt and to support him in his struggle against his [redacted] opponents.

The [redacted] leader [redacted] appeared to be wedded to a genuine reform programme which, among other things, held out the hope of a gradual process of independence for the Baltic and other republics, perhaps within a new Soviet confederation. Moreover, [redacted] west owed a[redacted] of gratitude to Mr Gorbachev. He had enabled the Cold War to be brought to an end, had accepted the principle of German unity and was negotiating the most far-reaching conventional arms agreement ever contemplated. These were matters which clearly counted in the equation.

Progressively, however, Mr Gorbachev has bowed to right-wing and military pressures. Liberals, such as Mr Eduard Shevardnadze, the widely-respected former foreign minister, have deserted the government's ranks, claiming that the country was moving towards a new dictatorship. [redacted] toughness can be discerned in official Soviet policies towards demands for greater regional and ethnic autonomy. Last year's declaration by Lithuania of a moratorium on its declaration of independence, intended [redacted] demonstrate to Moscow and the west that the Lithuanians were prepared to achieve their ends through dialogue and negotiation, has failed to persuade Mr Gorbachev to adopt a more sympathetic stance.

Moreover, the Soviet army's action in the Lithuanian capital Vilnius, [redacted] old-style Stalinist pretext that the workers were demanding its intervention in addition to rule by presidential [redacted] from Moscow, was of a particularly brutal nature. At least 13 people were killed and more than 100 injured when troops stormed the Vilnius radio and television building.

What can the [redacted] do in [redacted] circumstances? It is significant that at least some of the west[redacted] the [redacted] events in Lithuania has been much more outspoken than hitherto on the Baltic problem. Mr Gianni de Michelis, [redacted] Italian [redacted] minister, went as far as equating Iraq and the Soviet Union, neither of which, he said, would be allowed "a violation of the rules" by the international community. Mr John Major, the British prime minister, and his foreign secretary, Mr Douglas Hurd, have specifically warned that any further action by troops, particularly if directed against the Lithuanian parliament, would compel the European Community to review its economic and financial aid policy to the Soviet Union.

Understandably, given [redacted] desire for continued Soviet backing for its policy towards Iraq and the huge investment it has made in the new superpower relationship as a whole, Washington's reaction has been somewhat more cautious. But its reliance on Moscow's explicit support is clearly less than it was before the Soviet Union voted for the United Nations Security Council resolution authorising the international community to use force if Iraq had not withdrawn from Kuwait by today's deadline. To take a cynical view, Mr Gorbachev has already thrown away [redacted] bargaining card.

The witholding of economic and financial aid, particularly if Germany can be persuaded to subscribe to such a step – by no means a foregone conclu[redacted] – is [redacted] powerful instrument of pressure on the Soviet Union in [redacted] present dire economic state. President George Bush, for his part, might well [redacted] postpone [redacted] cancel next month[redacted] summit meeting with President Gorbachev in Moscow, at which a new treaty cutting US and Soviet arsenals of long-range nuclear weapons is due to be signed.

Witholding economic and financial aid, particularly if Germany does too, is a powerful instrument of pressure on the Soviet Union in its dire economic state

Even if the START [redacted] were signed on that occasion, Congress could still refuse to ratify it, as well as the agreement on the reduction of conventional forces [redacted] Europe reached in Paris last November, which is already beset by problems. Nato has accused the Soviet Union of providing incorrect data of its forces in Europe and of transgressing at least the spirit of the treaty by withdrawing to the other side [redacted] the Urals [redacted] and other equipment which were due to be destroyed.

In the past, Mr Gorbachev would have been [redacted] such considerations. But, following the widespread ethnic and nationalist unrest in various regions of the country, he may now be so inflexibly committed to the preservation of the Soviet Union, that he is no longer prepared to negotiate with the republics and Baltic states. If that is the case and his whole political reform programme is sacrificed, it cannot fail to lead to a serious deterioration in relations with the west.

That said, accusations that the west is adopting double standards in its attitude to Mr Saddam Hussein and Mr Gorbachev are out of place. The annexation of the Baltic states may never have been accepted in international law, but it has been a *fait accompli* for 50 years. However shameful that is considered in principle, the fact is that the Baltic states have been treated in practice by the international community as part of the Soviet Union ever since the Second World War.

Unscrambling such an entrenched situation is clearly an extremely complicated business.

Moreover, unlike Mr Saddam Hussein, it was not Mr Gorbachev who was responsible for annexing foreign territory. He has inherited a situation in the Baltics which is intimately related to all the other enormous problems he faces in the political and economic field. At stake is nothing less than the unity of the country and, very probably, his own survival as its leader.

The US and the western European countries supported Mr Gorbachev in the first place because of his economic and political reform policies, his liberation of eastern Europe and his desire to bring the Cold War to an end. In gauging their response to the latest developments in the Baltic states, they have to answer some fundamental questions. Can Mr Gorbachev still be relied upon to create [redacted] democratic and free market system in the Soviet Union, or has he become the complete prisoner of reactionary forces who want to perpetuate communism?

The answer, upon which depends the building of a whole new world order, so confidently predicted only a few months ago, is not yet entirely obvious. But what has happened in Lithuania is but the latest of many unfavourable pointers to the way things are moving. The western countries cannot intervene physically in the affairs of the Soviet Union. But they can send a clear signal to Mr Gorbachev that, if he continues on his present path, he can no longer expect any co-operation or aid from the west.

LETTERS

Testing testing

From Mr Brian Ward Lilley.

Sir, I was interested to read the report ("Attack launched on reliability of staff testing", January 2) on personality testing. The Institute of Personnel Management published a code on occupational testing, designed to give our members guidance on the use of tests. The code makes particular reference to personality tests and points out the dangers associated with the use of such tools. It also stresses the need to consider the reliability, validity, acceptability and effectiveness of tests before they are used. Reputable suppliers should, of course, be able to give such information.

We have given our support to the British Psychological Society's certificate of competence in occupational testing, and applaud their efforts to raise standards. However, we are increasingly concerned with the number of unvalidated and unreliable tests appearing on the market. We fear these will give testing a bad name and therefore would like to see stricter regulation of the market from the supplier end.

Brian Ward Lilley,
director, General Institute of Personnel Management,
Camp Road,
Wimbledon, SW19

Devaluation alone can beat inflation

From Mr Shaun Stewart.

Sir, It is highly unlikely that the Royal Commission on the causes of, and cures for, British inflation proposed by Mr Brian Reading ("And the human scrapheap waits", Letters, December 18) would endorse Mr D. O'Shea's view ("The problem of wage creep", Letters, January 2) that inflation is a result of the shortage of skilled labour or that both can be overcome by a massive increase in public expenditure on education and training.

It is true that in 1886 the Royal Commission on Depression of Trade and Industry singled out the lack of education and training as a supply side factor in which we were "particularly deficient as compared with some of our foreign competitors", but, as the Minority pointed out in para 128 of their report, it is in reality "inevitable that in any industry engaged in a hopeless struggle against insuperable difficulties . . . those engaged in it lose heart and hope; capital and talent are gradually withdrawn from it; and as it offers [redacted] remuneration and a diminished prospect [redacted] advancement to skilled labour, [redacted] quality [redacted] the labour employed in it tends continually to decline, and its productions deteriorate".

The "insuperable difficulty" in 1886 was the increase in the terms of trade as a result of free entry backed by a monetary and exchange rate policy which favoured consumption at the expense of production by guaranteeing through the operation of the gold standard that an increase in income from foreign investments and other invisibles would be offset by an increase in imports and a drop in exports of manufactures.

Nothing that has happened since 1946 can be blamed on anyone but the politicians and their advisers. In October 1950 a DTI memorandum (PRO file BT 11/4423) concluded that (despite a nil increase in wages) the profitability of exports had not increased following the devaluation of 1949, even though export prices in terms of importer's currencies had fallen by only 4.5 per cent compared to 13 per cent in the case of Germany. That loss of competitiveness was the inevitable consequence of the Marshall Plan and could have been corrected only if sterling had been allowed to float in 1952, but successive governments, in the absurd belief that devaluation is inflationary, opted for import-led contraction.

That inevitably pushed up manufacturer's unit costs very much faster than those of our competitors despite [redacted] much lower [redacted] of [redacted] in [redacted]. The ratio [redacted] export to import prices consequently rose from 87 per [redacted] the 1965 figure in 1951 to 87 in 1967, 101 in 1981 [redacted] a devastating 107 in November last, destroying 2.8m jobs in manufacturing and reducing output in [redacted] principal import-competing and export industries to less [redacted] it [redacted] in 1973.

No part of the blame for this can be blamed on manual workers [redacted] manufacturing industry. Their productivity has risen [redacted] 1979 than non-manual [redacted] in the private sector, but even so their real earnings [redacted] risen by only 14 per [redacted] compared to 45 per cent. That is why there is a shortage of skilled labour, and unless and until sterling is allowed to fall to a competitive level, no amount of public expenditure on education and training will make good the deficiency. It follows that tying sterling to the D-Mark can only make matters worse in every respect without doing anything to reduce inflation.

Shaun Stewart,
Labour Economic Policy Group,
72 Albert Street, NW1

UK advertising has not followed US's bad example

From Mr Kenneth Miles.

Sir, Your article ("The obsolescence of advertising", January 10) was an interesting summary of an article in the Harvard Business Review – but a little misleading in UK terms. I cannot let it pass without pointing out that it was one man's description of the state of advertising in the US, rather than a statement about advertising generally.

As this association advises and represents most leading British advertisers, I can say with confidence that the article did not describe the state of UK advertising. While more than 40 per cent of TV commercials in the US may be only 15 seconds long, in this country most are still 30 seconds or longer and we carefully control proliferation and "clutter".

Second, consumers in this country are not "fed up with advertising". Research carried out here by the Advertising Association shows a high level of acceptance of advertising, and of the fact that it does communicate in a helpful way with consumers.

Of course the author of the Harvard article is right in saying that "marketing requires [redacted] dialogue, not a monologue" and this has always been true. If advertising were merely [redacted] matter of companies shouting loudly at consumers and not paying any attention to what these consumers want to hear, then some of this criticism might be justified. But that is not the case, and I know the vast majority involved in advertising do want to be conducting a dialogue with consumers, and go out of their way through market research and other techniques to make sure that this is the case.

Anyone who puts effective marketing and advertising in opposing camps reveals a lack of understanding about the way in which the various elements in the business mix work together. For most companies and brands, well-targeted advertising is one of the key factors in effective marketing.

Kenneth Miles,
director-general, Incorporated Society of British Advertisers,
44 Hertford Street, W1

From Mr Stewart Pearson.

Sir, Your article reported on a call for a "renaissance of marketing", but fails to give it a name. There is such a new approach to marketing. It is called direct or data-based marketing. It integrates marketing and information technology; invites feedback from the customer; and engages the customer in dialogue. Above all, it works, measurably.

Faced [redacted] this change in climate, the big advertising agencies are behaving like dinosaurs. Extinction [redacted] them.

Stewart Pearson,
chief executive, [redacted] Paul Howarth Nolan,
1/1 Harbour Yard,
Chelsea Harbour, SW10

Let us not forget the other Joe Levy

From Mr D.M. de Yong.

Sir, Your obituary (Joe Levy, December 27) did surprise me. Although you are factually correct about his business career, Joe Levy, whom I knew well and admired, had a great passion for charitable work.

In the last 20 years of his active career he devoted much of his time to this type of work, first to various London boys' clubs; latterly [redacted] the Cystic Fibrosis Research Trust. He [redacted] a pioneer of the project, which recently [redacted] shown much [redacted] in countering this [redacted] which affects so many young children.

It must sadden many of them and their grateful parents [redacted] that nothing about his other "real" work was mentioned in your obituary.

D.M. de Yong,
34 Addison Avenue, W11

FINANCIAL TIMES
Tuesday January 15 1991

War could suspend Gatt talks indefinitely

Nothing has altered since the global trade talks collapsed, reports **William Dullforce**

JANUARY 15 is a milestone for the world [illegible] system as well [illegible] a deadline in the Gulf crisis. Today, [illegible] delegations [illegible] the [illegible] Agreement on Tariffs [illegible] Trade (Gatt) meet in Geneva to hear [illegible] Mr Arthur Dunkel, Gatt's director-general, the prospects for resuming the global [illegible] talks which broke down on December 7.

War or no war, their meeting can be no more than a formality. If a conflict breaks out in the Gulf, the limbo into which the Gatt's four-year trade-liberalising effort fell at Brussels will be prolonged indefinitely. "*The US will not send out its* trade negotiators, if it goes to war," a diplomat said at the weekend.

In the event of war, diplomats believe, the US Congress would extend beyond its effective March 1 deadline the "fast-track" authority to conclude trade deals it has given to President George Bush. The trade negotiations could then, it is suggested, be resumed after hostilities end, without an impossible time constraint.

But even if a last-hour compromise is reached in the Gulf crisis, Mr Dunkel will have nothing of substance to report tomorrow. The Gatt's Uruguay Round remains deadlocked over international farm trade, *the issue on which it ground to* a halt at the trade ministers' meeting in Brussels.

There has been no effort to pick up talks in other crucial areas, including trade in services and textile products, intellectual property rights and further lowering of barriers to exports, where agreements can be envisaged.

Mr Dunkel, whom the ministers asked to sound out ways [illegible] rescuing the Round, [illegible] hoped [illegible] introduce [illegible] more [illegible]ible negotiating system [illegible] speed matters. But [illegible] visit[illegible] Washington, and [illegible] in [illegible] with Mr Jacques Delors, president of [illegible] European Commission, Mr Frans Andriessen, [illegible] commissioner, and Mr Ray MacSharry, [illegible] commissioner, [illegible] is not yet [illegible] to report [illegible] signifi[illegible] change in positions [illegible] [illegible] the round.

The [illegible] inflexibility over agriculture [illegible] the collapse of [illegible] meeting in [illegible]. The US, [illegible] 14-member [illegible] Group of farm-exporting nations, [illegible] main protagonist of [illegible] reform, [illegible] been saying [illegible] was no point in resuming talks without European concessions.

Hopes of an easing in the [illegible] standpoint have [illegible] pinned to Mr MacSharry's [illegible] planned [illegible] "revolutionary" [illegible] Community's [illegible] Agricultural Policy (CAP).

Mr Delors [illegible] forcibly [illegible] CAP [illegible] an internal Community affair [illegible] directly [illegible] to [illegible]. His [illegible] point [illegible] the EC's [illegible] decision-making process [illegible] produce [illegible] for [illegible] months. Moreover, they [illegible] "unthinkable" [illegible] change [illegible] Commission's farm negotiating man[illegible] talks, [illegible] 12 member [illegible] agreed on only [illegible] nine [illegible] minis[illegible] council meetings.

Nevertheless, the [illegible] internal discuss[illegible] CAP reform [illegible] important [illegible] on [illegible] Commission's ability [illegible] more flexible in the Gatt [illegible] on agriculture, provided [illegible] is [illegible] reciprocal lowering of ambitions [illegible] by [illegible] Cairns Group. They [illegible] seeking [illegible] in [illegible] - 90 [illegible] in export [illegible] 75 [illegible] in [illegible] supports [illegible] border protection.

The thrust of Mr MacSharry's proposed changes to the CAP [illegible] pricing system towards deficiency payments [illegible] production and from price supports [illegible] direct payments [illegible] farmers. [illegible] changes would not be easily [illegible] by all member states but it is generally accepted that [illegible] rise of [illegible] ($13.7bn) in the CAP budget in 1990 [illegible] a further Ecu15bn foreseen for this year, the EC cannot continue to keep prices for farm produce high [illegible] encourage surplus production.

[illegible] in the direction proposed by Mr MacSharry would signal to the [illegible] trading partners [illegible] a [illegible] CAP reform [illegible] the offing and would make it easier for [illegible] Commission [illegible] negotiate [illegible] in farm supports [illegible] the [illegible] sought by the US. [illegible] could also [illegible] the EC [illegible] drop its "rebalancing" demand, anathema to [illegible] US and Cairns countries, under which it would impose customs [illegible] on imports [illegible] feedgrain substitutes.

The problem [illegible] the Uruguay [illegible] lies [illegible] timing. [illegible] still not certain that [illegible] commissioners [illegible] will agree at their "seminar" on January 20 [illegible] a CAP [illegible] proposal for [illegible] ministers.

Thus, [illegible] immediate [illegible] for the global [illegible] talks remains full [illegible] uncertainty, *whether or not* there is a war in [illegible]. Two possibilities [illegible] and [illegible] quietly [illegible] bilateral [illegible] agriculture and Mr [illegible] formula for [illegible] reform which [illegible] provide [illegible] renewed general negotiations.

[illegible] Andriessen will [illegible] from Argentina, Brazil, Chile, Colombia, Uruguay (all members of [illegible] Cairns Group) and [illegible] in Uruguay, [illegible] January 25-26. [illegible] Americans, [illegible] attack [illegible] EC over agriculture [illegible] meeting, hope [illegible] Andriessen will have something encouraging [illegible] offer.

The EC [illegible] commissioner [illegible] Washington, [illegible] will meet Mrs Carla Hills, US [illegible] representative, [illegible] to [illegible] for talks with Mr John Crosbie, Canada's [illegible] minister. [illegible] will [illegible] Washington [illegible] week, [illegible] US could [illegible] softening its hard [illegible] the [illegible].

The [illegible] encouraging development in Geneva [illegible] past few days has [illegible] palpable firming [illegible] opinion [illegible] favour [illegible] making [illegible] Uruguay Round before the expiry of President Bush's fast-track authority. But Mr Dunkel will have his work cut out over the [illegible] weeks to find a way of making that effort possible.

Macao joins Gatt, Page 8; Editorial comment, Page 16

September 1986: Trade ministers launch Uruguay Round. Four-year talks scheduled to [illegible] issues from farm reform [illegible] textiles, services, and protection of intellectual property.
[illegible]: *Mid-term review of round in* [illegible] ends in Latin-American walk-out following EC-US farm dispute.
April 1989: *Dispute resolved in Geneva.* Round moves into final phase.
December 1990: Final ministerial meeting in [illegible] collapses after further EC-US farm dispute. Arthur Dunkel, Gatt director-general, given five [illegible] find [illegible] out.
January 15, 1991: Mr Dunkel today expected [illegible] inform [illegible] more [illegible] needed, raising expectations that US Congress will be asked to extend March 1 deadline.

Arthur Dunkel: no movement

Businesses curb travel as war fears grow

By Our Industrial and Foreign Staff

FEAR of imminent war [illegible] associated terrorist attacks has begun to affect the conduct of [illegible] and private life in countries far from the Gulf.

Some of the widest effects concern travel – either in planning or the availability of services, while at another end of the scale, supermarkets in at least two western European countries yesterday reported panic buying of basic foodstuffs.

The City of London looks set for an early rush hour tomorrow as some trading rooms are expected to be staffed at 5am GMT for the expiry of the UN deadline for Iraq's withdrawal from Kuwait.

Most of the leading European airlines, and two large US carriers, have reduced or suspended services to destinations in the Gulf area.

Many companies, meanwhile, [illegible] prohibited or reduced foreign [illegible] travel by [illegible] instructions [illegible] airlines should be chosen with [illegible] Atlas Copco, the [illegible] engineering group, has even told [illegible] not to [illegible] flights within [illegible].

Mr Charles Webb [illegible] Control Risks, the international security management consultants, said yesterday: "Some US companies [illegible] prominent in taking [illegible] very nervous view of the [illegible] Gulf, but that is [illegible] because Americans are [illegible] at the highest risk."

Many companies, however, appear to [illegible] heeding advice [illegible] offered by Mr [illegible] keep in balance protecting the security of personnel and keeping the [illegible] in [illegible]. Forbidding employees to fly [illegible] the North Island and [illegible] Island [illegible] New Zealand, [illegible] from Minneapolis [illegible] Los Angeles, is missing the point."

Travel agents throughout western Europe report a sharp decline in holidays to countries in the eastern Mediterranean. [illegible] British tourists, however, [illegible] shifted pre-booked holidays to Spain.

Some transatlantic travellers have changed from US airlines to carriers considered less at risk of attack. Others are seeking flights to Canadian rather than US airports.

Most [illegible] said travel plans for employees were under review, but few [illegible] details. Shearson Lehman said [illegible] business trips [illegible] cancelled [illegible] far [illegible] it was keeping [illegible] situation under review.

In London, [illegible] Stanley Asset Management has instructed [illegible] fund managers to avoid [illegible].

Du Pont, [illegible] US chemicals [illegible], said: "[illegible] are discouraging [illegible] travel to [illegible] Middle [illegible] Europe and [illegible] keeping people informed about terrorist threats elsewhere."

[illegible] companies [illegible] to have taken the most drastic measures to shield their executives from risk. Atlas Copco said it had imposed a blanket ban on air travel because the most likely terrorist targets were not aircraft, but airports.

Ericsson, the Swedish telecommunications [illegible] instructed [illegible] senior personnel on trips abroad [illegible] take special care over flight plans and choice of airline.

But it said it was "unthinkable" that all air trips abroad should [illegible] stopped.

Belgians yesterday engaged in panic buying of sugar, flour, rice, pasta [illegible]. [illegible] market manager [illegible] said [illegible] people [illegible] particular seemed to [illegible] stocking up and attributed this to memories of the Second [illegible].

Supermarkets [illegible] reported similar panic buying [illegible] frozen food, rice, pasta, sugar and cooking oil. Four regional chains said they briefly ran out of [illegible] sugar and oil at the weekend.

[illegible] distributors in Northern Ireland reported a surge in demand for heating oil in spite of appeals for calm and assurances there were no supply problems.

As [illegible] approached, [illegible] the sybaritic Milanese appeared to have shunned a night at the [illegible] a quiet one at home watching the [illegible] news. La Scala said yesterday that, unusually, seats were still [illegible] tonight's performance of Rossini's [illegible] Ory.

British Airways loses Tokyo airport slots to Virgin

By Paul Betts, Aerospace Correspondent, in London

[illegible] Civil Aviation Authority (CAA) yesterday stripped British Airways of [illegible] of its [illegible] and landing [illegible] at Tokyo's Narita airport and [illegible] Virgin Atlantic Airways, the small UK long-distance airline owned by Mr Richard Branson.

The move, which could set an important precedent in the way take-off and landing rights or "slots" are allocated at heavily congested international airports, was designed to increase competition on the busy London to Tokyo route, the CAA [illegible].

British Airways [illegible] is appealing to Mr Malcolm Rifkind, [illegible] UK transport minister, against the ruling. It claimed [illegible] not in the [illegible] travelling public and involved substitu[illegible] one airline with another [illegible] than competition on the UK to Japan [illegible] routes.

Under its ruling, the CAA decided to vary BA's air transport licence from April 1 to limit the carrier to 26 flights a week to or from Narita airport instead of the 30 it currently operates.

In turn, this will enable Virgin to operate six round trips a [illegible] London and Tokyo instead [illegible] four, which [illegible] currently operates.

Virgin had asked [illegible] larger number [illegible] BA [illegible] Narita to enable it to operate eight round trips a week to Tokyo. But the airline said it was pleased with [illegible] CAA [illegible] planned to [illegible] Tokyo services on April 2.

[illegible] first [illegible] has been asked by an airline to change the [illegible] a competitor [illegible] allow it to operate [illegible] at a foreign airport.

Mr Branson, the Virgin chairman, had argued [illegible] this month at a CAA public inquiry that the survival of Virgin's London to Tokyo service depended on the airline gaining greater access to Narita to enable it to operate daily services.

British [illegible] have a total of [illegible] a [illegible].

The Japanese government [illegible] not been prepared up to now [illegible] limit [illegible] the [illegible] authorities [illegible] allocate [illegible] to its airlines.

Yeltsin challenge

Continued from Page 1

Ukraine, Kazakhstan and Belorussia – had agreed to go ahead and negotiate their [illegible] new [illegible] agreement, in defiance of Mr Gorbachev's efforts [illegible] forge [illegible] single all-union treaty.

Mr Yeltsin is taking [illegible] gamble on his personal [illegible]larity in the country in [illegible]fronting simultaneously [illegible] Soviet military and [illegible] Communist Party as [illegible]ted by Mr Gorbachev.

His [illegible] to Russian sol[illegible] and officers amounted to a virtual instruction to them to disobey [illegible]. It followed [illegible] agreement he [illegible] in Tallinn, the Estonian capital, on Sunday night with the three [illegible] republics declaring that none [illegible] their soldiers would attack each other.

Mr Yeltsin's appeal [illegible] broadcast over the radio and television in the Baltic republics – except for Lithuanian television, which is under military control. It came on as Soviet troops seized another small radio station in Vilnius, in apparent defiance of an agreement not to take any action for 24 hours. That agreement was negotiated by a peace mission to the republic despatched by the Federation Council – the supreme executive body under Mr Gorbachev.

Soviet Union credit rating to be downgraded by Deutsche Bank

By David Marsh and Katharine Campbell in Frankfurt

DEUTSCHE BANK, Germany's [illegible] bank and one of the [illegible] largest [illegible] to Moscow, is to establish [illegible] provisions [illegible] loans [illegible] the Soviet Union, publicly downgrading the country's previously top [illegible] rating.

"For [illegible] Union [illegible] problem country. [illegible] will [illegible] this into [illegible] in our [illegible] policy," [illegible] Mr Hilmar Kopper, speaker (chief [illegible]) [illegible] Bank, in an [illegible] with the Financial [illegible].

He coupled his warning on the Soviet Union's credit standing with a statement ruling out any new German bank lending [illegible] unless [illegible] was backed by a 100 per cent guar[illegible] from the Bonn [illegible]ment.

"We are making this very [illegible] Bonn – that at the moment there is no manoeuvring room [illegible] German banks to take over Soviet risks [illegible]."

The Deutsche Bank chief [illegible] bleak [illegible] economic prospects, adding to general German anxiety unleashed by [illegible] military clampdown in Lithuania.

In the Bundestag yesterday Chancellor Helmut Kohl condemned the weekend violence and said: "We are deeply concerned over the future of the policies of restructuring, reform and [illegible] Thinking' in the Soviet Union."

Because of the disarray in Moscow, Mr Kopper said he saw no room for any "constructive" use of western funds. Such credits "only make sense if the Soviet Union knows what it wants. "That is not yet the case...I do not see any plan, I see no idea in the economic sense...I have only questions, questions, questions. I do not yet see any answers."

Establishment of loan provisions will be decided formally when the Deutsche Bank board finalises the bank's [illegible] in [illegible].

Mr Kopper [illegible] Deutsche [illegible] outstanding loans [illegible] "not figures which particularly worry us", but said that [illegible] move would represent precautionary measures in line with the bank's current conservative policies on bad debt write-offs.

At the end of 1989, the bank's country risk provisions covered 77 per cent of loans extended to 53 mainly developing countries on its "problem list".

Although [illegible] Kopper said [illegible] the official Soviet Union debtor, the Foreign Trade Bank, was paying its debt ser[illegible] exactly on time, Soviet enterprises are currently esti[illegible] to be [illegible] DM1bn [illegible] exporters.

[illegible] and Dresdner Bank co-led a DM5bn credit [illegible] the Soviet Union last summer, covered by a 90 per cent Bonn government guarantee.

Deutsche refused to participate in a DM2bn Eurocredit for Moscow in September because Bonn refused to offer a 100 per [illegible] guarantee, although one of 95 per cent was offered.

Concerning the recent Soviet [illegible] further DM2bn [illegible] to cover payments [illegible]. Mr Kopper [illegible] "There are an endless number of new wishes."

German banks would still have to step in with a large [illegible] covering exports to the Soviet Union being made by traditional supplier companies in east Germany, he said. But [illegible] would have to be backed by [illegible] government's [illegible] export [illegible] guarantee [illegible].

THE LEX COLUMN

Sterling looks on the bright side

From a British viewpoint, the mood of crisis in world markets is proving to have a silver lining. Sterling is a relatively safe haven, having a high yield and [illegible]ual status as a petro-currency. From a position of immediate danger within [illegible] ERM a month ago, it is now very close to its central rate. Though an immediate base rate cut might be tactically inadvisable, it has suddenly become perfectly feasible. In addition, as sterling has risen in response to the Gulf, so the D-Mark has fallen in response to the crisis in the Baltic. An important side-effect of this is that even if the Bundesbank were to raise interest rates, as still seems quite possible, the UK and most of the other EMS members could afford not to follow suit.

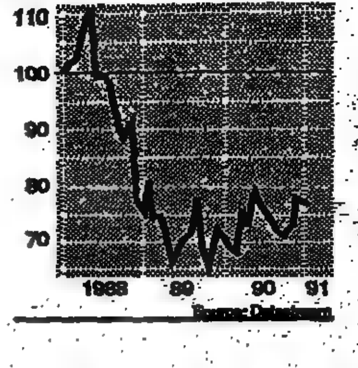
An actual cut in UK [illegible] is another matter. The nine-pfennig rise in sterling in the past month is [illegible] merely the result of the Gulf. It has much to do with the efforts of Mr Lamont and Mr Major to convince the markets of their ERM credentials. To cut base rates as soon as sterling reaches its central rate would be to gain little and risk much, particularly since the m[illegible] markets are not now discounting a cut within the next month or more. And were the Gulf crisis to end suddenly and [illegible] oil price to revert to $15, sterling could be embarrassingly exposed again.

A mo[illegible] plausible tactic would be to allow sterling to rise to the point where the authorities could legitimately claim that it was causing excessive tightness in monetary policy, then begin a series of half-point cuts. While the process cannot yet be guaranteed, it is remarkable that it can be envisaged at all.

Tomkins

Tomkins

Relative to Hanson
(share prices–rebased)



The timing may have been unfortunate, but there was no denying the solidity of Tomkins' impressive interim resul[illegible] yesterday. A market wholly preoccupied [illegible] Gulf was not [illegible] to [illegible] one-third profits rise to £31m, let alone a near 17 per cent dividend increase. It may not quickly get a chance to revise its opinion of the group, but the case for a short-term re-rating looks strong. Tomkins' shares have consistently lagged those of larger conglomerates by around 20 per cent, but deserve to do better as the big asset traders become less fashionable.

The performance was not flawless, but the virtues of diversification in a bear market were clearly illustrated. *The acquisition last August of* Philips Industries in the US has been more than justified. Without it, trading profits would only have edged ahead by 5 per cent, the UK in particular showing signs of standstill. The process of trimming Philips's corporate fat is well under way. Tomkins, which was 6 per cent geared last April, now has £40m net cash, only partly as a result of last year's rights issue.

The problem lies not at the end of this financial year, when [illegible] pre-tax looks possible and implies a p/e of roughly 7.5, but further out. The US may or may not be in a shallowish recession. But by the autumn, Tomkins should be looking to sustain its prodigious growth rate by making acquisitions in a UK economy which has not yet hit bottom. If its managers pass that test, Tomkins' record will speak for itself.

Tootal

Analysts inevitably scramble to downgrade profit forecasts when a chief executive chooses an alternative career three weeks before the company's year end. The chief interest in the departure of Tootal's Mr Geoffrey Maddrell, though, is whether it finally opens the way for a revived bid from Coats Viyella.The answer seems to be that shareholders - whose company has underperformed the market by over 40 per cent since the first merger proposal 18 months ago - may have to endure another [illegible] Coats' Sir David Alliance is not noted for his generosity. Having paid an average 138p for his near 30 per cent stake, he will doubtless be looking for a better bargain this time.

Nor is Coats exactly flush with cash. It recently warned that it may have to cut its final dividend and arguably ha some sorting out of its ow operations still to complet before it embarks on an int gration process as complex a that which Tootal will involv The sums might just work o the basis of an agreed merge But it is not quite clear th Tootal is ready for that, M Maddrell's departure notwith standing.

While the logic of mergin the two thread businesse remains compelling - and over head reductions could sav £25m or so - an early strik would also be risky in th sense that the depth of th downturn is not yet clear. Wi gloomier profit forecasts fo Tootal now below £30m against a recent range o £33m-£37m - its prospectiv multiple of just over 11 at 68 looks a shade risky.

Chloride/Hawker

The long, unedifying Chlo ride story was one of the mor painful British manufacturin débâcles of the 1980s. It no seems to be nearing its en Assuming the sale of Chlo ride's industrial batteries bus ness to Hawker Siddeley goe through, the rump of the com pany will consist of a £120m turnover electronics busines devoted almost entirely t making back-up power unit for computers. That is a wor thy occupation,but does no sound like an adequate founda tion for a stand-alone U quoted company.

This is especially so sinc the Chloride electronics divi sion in question is a fledglin which made only £2.1m of tax able profits in 1989-90 afte years of losses. Hence it woul not be surprising to see what i left of Chloride disappear alto gether into a larger group With 20 per cent of its share already in the hands of Merc rius, the Swedish privat investment company, thi seems likely to happen soone rather than later.

As for Hawker Siddeley shareholders, this is one o those deals whose industria logic has to be accepted o trust as part of Hawker' much-hyped restructurin plan. Given that Hawker gets brand-new factory near Man chester, which should requir no further capital [illegible] plus a 30 per cent increase i its industrial battery sales, th £44m purchase price does no seem excessive. But it raise an important question abou what happens to Hawker's bor rowings, which had risen to £150m by last July and coul now be well over £200m.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	12	55
Algiers	S	9	48
Amsterdam	F	1	34
Athens	F	16	61
Bahrain	F	18	64
Bangkok			
[illegible]	S	9	48
[illegible]	–	–	–
Belfast	F	5	41
Belgrade	C	5	41
Berlin	S	0	32
Biarritz	C	3	37
Bombay	S	26	79
[illegible]	C	[illegible]	38
[illegible]			
Brussels	[illegible]	1	34
Budapest	S	5	41
Buenos Aires			
Cairo	S	18	65
Cape Town	[illegible]	[illegible]	27
Caracas			
Casablanca	S	14	57
Chicago	F	-2	28
Cologne	[illegible]	4	39
Copenhagen	S	3	37
Corfu	F	17	63
[illegible]	S	7	45
Dublin	[illegible]	6	43
[illegible]	S	16	61
Edinburgh	[illegible]	3	37
Faro	S	13	55
Florence	S	11	52
Frankfurt	S	4	39
Geneva	C	[illegible]	37
Gibraltar	[illegible]	14	57
Glasgow	[illegible]	[illegible]	19
Helsinki	C	-5	23
Hong Kong	[illegible]	[illegible]	16
[illegible]	F	3	37
Inverness	S	[illegible]	
Islamabad			
Istanbul	F	[illegible]	46
Jakarta			
Jersey	[illegible]	6	43
Johannesburg	F	[illegible]	77
[illegible]			
Lisbon	[illegible]	6	43
[illegible]	[illegible]	5	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]
[illegible]	S	1	34
Madeira			
Madrid	S	5	41
Majorca	F	11	52
Malaga	S	[illegible]	54
Malta	F	15	59
Manchester	S	2	36
Manila			
[illegible]	S	24	75
Mexico City			
Miami	C	14	57
Milan	R	3	37
Montreal	Sn	-7	19
Moscow	Sn	-9	16
Munich	F	0	32
Nairobi	S	25	77
Naples	C	14	57
[illegible]			
[illegible] Delhi	S	[illegible]	[illegible]
New York			
Nice	[illegible]	12	54
Nicosia			
Oporto	[illegible]	8	46
Oslo	S	-11	12
Paris	S	2	36
Peking	[illegible]	5	41
[illegible]	[illegible]	0	32
[illegible]	[illegible]	3	37
[illegible]	[illegible]	17	63
Rio de Janeiro			
Rome	[illegible]	11	52
Salzburg	F	3	37
San Francisco	[illegible]	[illegible]	11
Seoul	F	-3	27
Singapore	R	25	77
Stockholm	Sn	-3	27
Strasbourg	[illegible]	3	37
Sydney	[illegible]	[illegible]	84
Taipei			
Tangier	F	18	65
Tel Aviv	–	[illegible]	–
Tenerife	C	18	64
Tokyo	S	9	48
Toronto	Sn	-1	30
Tunis	C	9	48
Valencia	S	10	50
Venice	R	7	45
Vienna	S	2	36
Warsaw	S	-3	27
Washington	[illegible]	-2	28
Zurich	[illegible]	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

© THE FINANCIAL [illegible] LIMITED [illegible]   Tuesday January 15 1991

INSIDE

French ski groups report heavy losses

Skiers on holiday in the alps should get their money's [illegible] winter – for once there's been plenty of snow. It's come [illegible] late though to return the French [illegible] industry to profit this [illegible]. Yesterday, both Salomon, [illegible] world's largest maker [illegible] bindings, and Rossignol, the leading French producer of skis, announced heavy interim [illegible] for the six months to [illegible] September. Both companies said they expected [illegible] in [illegible] for the full [illegible] though they envisaged returning [illegible] the black in [illegible]. William [illegible] reports. Page 20

They might be [illegible]

Outokumpu started life as a mining company. Today it not only mines [illegible], nickel and zinc, but [illegible] it [illegible] bled one of the world's biggest [illegible] semi-fabrication [illegible] and is probably [illegible] only [illegible] player in [illegible] highly-competitive industry. Pertti Voutilainen, president (left) [illegible] the [illegible], which [illegible] tripled its [illegible] in the [illegible], [illegible] looking [illegible] even greater expansion [illegible]. Kenneth Gooding reports. Page [illegible]

Accounting for accountants

The collapse of Polly [illegible] unwelcome attention [illegible] Turkish accounting profession [illegible] time when many [illegible] country's companies [illegible] trying [illegible] improve their international profile. Many [illegible] the group's [illegible] could have a damaging [illegible] way Turkish [illegible] is perceived internationally, while [illegible] introduced [illegible] January 1, [illegible] European Community [illegible]. John Murray Brown reports. Page [illegible]

Batteries not included

Chloride Group is turning from [illegible]. The group, [illegible] of the worst-performing of [illegible] 1980s, yesterday [illegible] planned [illegible] its formerly core battery [illegible]. Having [illegible] of all but a few of its battery operations, [illegible] group would [illegible] virtually debt-free, [illegible] Ray Horrocks, [illegible] (above). [illegible] Bolger reports. Page 26

Finding work for idle hands

UK mergers and acquisitions [illegible] reckon [illegible] this [illegible] the quietest period since [illegible] recession of the early [illegible]. [illegible] bull market is [illegible]. The entrepreneurs [illegible] retreat. Conglomerates have gone out of fashion. Despite this lull, however, there is still much for M&A teams to do. Companies trying to cut debt often look to sell subsidiaries and there is no shortage of cross-border alliances being forged. Maggie Urry looks at the work of M&A teams in a silent City. Page 28

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Falls				Falls			
Aachener Mr	625	–	35	Alcatel Alsthom	485.9	–	22.1
BHF-Bank	372	–	18	Aujourd'hui-Prisme	1431	–	56
Deutsche Bank	550	–	26.5	Euracom	630	–	30
Hochtief	155	–	13.5	Promodes	1701	–	100
Rheinelektra	1913	–	47	Havas	373	–	35
Rosenthal	225	–	15	Pernod Ricard	904	–	41
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
3M	73⅞	+	¾	[illegible]	1830	+	90
Mobil	58⅞	+	¾	Falls			
Newmont Gold	41¾	+	¾	[illegible]	691	–	29
Texaco	58⅞	+	½	Daishowa Paper	2380	–	320
Falls				Honshu Paper	1160	–	60
Chase Man	10¾	–	½	Hoechst	681	–	19
PNC Financial	19¾	–	¾	Shome Metal	[illegible]	–	4
LONDON (Pence)							
Rises				Davies & Newman	95	–	40
BrentWalker	60	+	3	Grand Met	644xd	–	13
Brit Aerospace	528	+	4	Kingfisher	94	–	7
BP	325	+	6	Pearson	615	–	13
Macdonald Mart	600	+	35	Pepe	78	–	5
Vaal Reefs	37⅞	+	2⅛	Rank Org	594	–	14
Falls				Ratners	182	–	9
Barclays	334	–	10	Royal Ins	368	–	16
Bass	1029	–	19	Tarmac	120½	–	17½
Beazer	101	–	9				
Bunzl	58	–	5				

Peat Marwick to axe US partners

By David Waller in London

KPMG Peat Marwick McLintock, the world's largest accountancy firm, is planning [illegible] lay off one-sixth [illegible] its 1,875 partners in the US. The move [illegible] the latest evidence of a [illegible] in the US accountancy profession where two leading firms have closed down since last November.

Mr Jim Butler, [illegible] London-based chairman of KPMG, [illegible] yesterday that the lay-offs were confined [illegible] the [illegible] and [illegible] being made in an attempt to anticipate worsening market conditions. There was no likelihood of the lay-offs spreading to the UK, he said.

The scale of redundancies is unprecedented. Many US firms have laid off partners in cost-cutting exercises, while Peat Marwick axed significant numbers of partners after [illegible] with [illegible] in 1987. But this [illegible] will affect approximately 300 partners, "a [illegible] number" according to one competitor.

Ms Pamela Middleton, director of communications in the US, [illegible] the lay-offs should be seen as a "pre-emptive strike".

"We're not doing this from a weakened [illegible] position. This is a preventative measure [illegible] make sure we don't have problems [illegible] market conditions get worse," she [illegible].

Peat Marwick's board of directors decided on the lay-offs last week but have not determined which partners will lose their jobs.

[illegible] managing partners will conduct a review of operations and those who have to go will be told by March 1.

The compensation [illegible] likely [illegible] include a payment equivalent to one year's salary.

The recession in the US accountancy market reflects [illegible] severe drop in transaction-related special work – such as investigations of takeover targets – as well as the general downturn in the US economy.

Consultancy projects, which were an important area of growth in the [illegible] been cut sharply.

Until now, these problems have been felt most sharply by middle-tier firms [illegible] than the [illegible] practices of which Peat [illegible] is the largest.

Last November, Laventhol [illegible] Horwath, the seventh-largest firm in the US, ceased trading and shortly afterwards Spicer & Oppenheim, another medium-sized firm, was disbanded.

One reason why UK firms are unlikely to feel the recession as severely as their US [illegible] is that American firms do not do insolvency work.

This is an important source of income in the UK when times are hard.

Lions of Detroit lose their roar

Kevin Done reports on the US car industry as the big three prepare for disastrous results

The élite of [illegible] US auto industry [illegible] for the weekend's [illegible] charity preview of [illegible] North American International Auto Show. But the [illegible] of the industry's fortunes was more accurately reflected in [illegible] flowing [illegible] on the nearby [illegible].

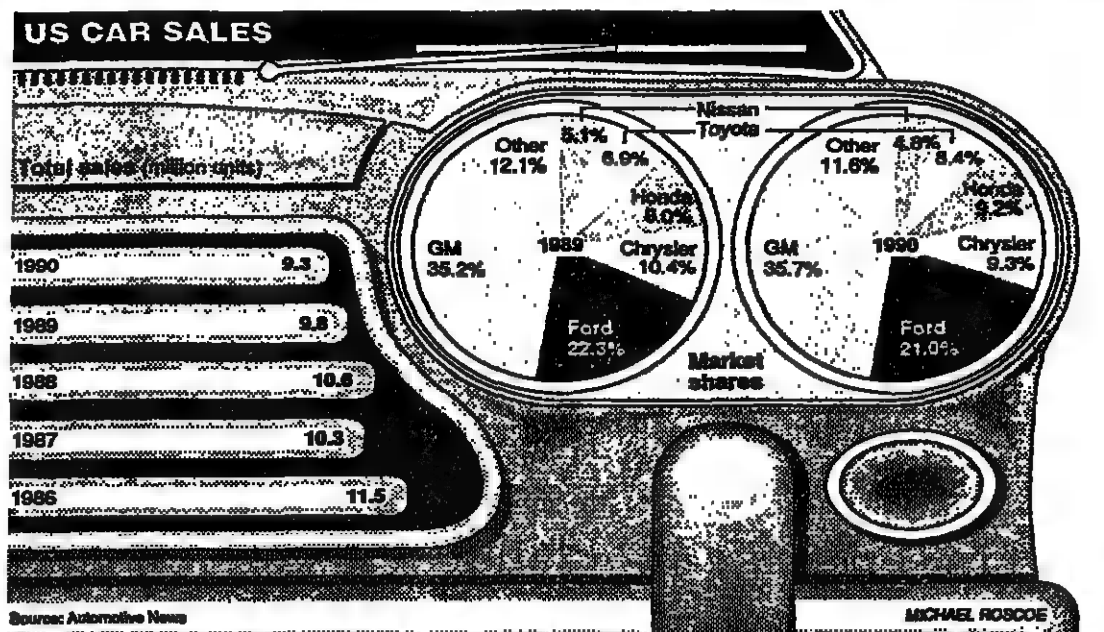
In coming weeks, [illegible] big three [illegible] – General Motors, Ford and Chrysler – will [illegible] disastrous fourth-quarter [illegible] results. Analysts [illegible] forecasting [illegible] during the period GM [illegible] $1.4bn – the biggest-ever quarterly [illegible] for [illegible], Ford will lose between $350m and $460m, [illegible] Chrysler [illegible].

[illegible] Motor [illegible] the embarrassment [illegible] the first to cut its quarterly dividend, but the [illegible] quarter still [illegible] shaky. Standard & Poor's, the US [illegible], has placed GM, Ford [illegible] Chrysler on its negative CreditWatch list, indicating [illegible] ratings of some [illegible] all [illegible] carmakers could soon be downgraded.

The [illegible] industry is facing an unprecedented squeeze on profit margins. As vehicle-building capacity in North America increases – Japanese carmakers are still adding new plants – and sales fall, the competition is fierce. Virtually all manufacturers are engaged in costly and intense marketing wars.

According to Mr Jim Perkins, general manager of General Motor's Chevrolet division, the US industry paid an average discount of $1,200 for every car sold last year.

US car sales fell by 5.2 per cent in 1990 to an estimated 9.3m. In three of the last four years, car sales have fallen from a peak of 11.5m in 1986. Total car and light truck sales (for many Americans cars and light trucks such as mini-vans and pick-ups have become standard private cars) fell by 4.8 per cent to 13.8m.



Source: Automotive News   MICHAEL ROSCOE

Sales were already [illegible] low ebb, but in the US they appear to have entered [illegible] period of suspended animation. "You live from [illegible] orders," said Mr Harold Poling, Ford [illegible] and chief executive. "They are not non-existent, but they are very weak."

Even without a Gulf war, the US economy is already in [illegible] sion and consumer confidence is battered. According to Mr Poling: "The recession will continue through the first half of this year."

However, he told the Detroit Economic Club on the eve of the motor show that Ford did not believe this recession would be as tough as the one 10 years ago. Recent action by the Federal Reserve to ease interest rates could allow a recovery to begin in the second half of 1991, with the year as a whole showing a half per cent fall in GNP. But the precarious state of the US financial sector and the threat in the Gulf could easily bury such a forecast, warned Mr Poling.

Carmakers are being forced to dig deep into their reserves of optimism as US car and truck production last year – at 9.9m – hit its lowest level since the recession of 1983. The share of the US car market taken by the big three [illegible] producers declined again last [illegible] by 1.9 percentage points to [illegible] per cent.

There was some consolation for General Motors, which increased its share to 35.7 from 35.2 per cent a year earlier. Ford, which outgunned GM throughout the 1980s, suffered a fall to 21 from 22.3 per cent.

It is a sign of the times, however, that perhaps the biggest contributor to GM's improvement was the Geo nameplate of its Chevrolet division. Geo is the marque used by GM for a range of small cars with Japanese origins that it sells through its own dealer network in the US. Geo sales jumped by 50 per cent in one of the marketing coups of the year.

Chevrolet's Geo Prizm is a Toyota Corolla by another name, its Geo Storm is an Isuzu Impulse, its Geo Metro a Suzuki Swift, its Geo Tracker a Suzuki Sidekick. Several of the vehicles, which are all Japanese designed and engineered, are now produced in North America in joint [illegible] ventures with GM.

The share of the US car market taken by [illegible] models jumped from 26.3 per cent in 1989 to 27.6 per cent. Including cars of [illegible] which are sold under US nameplates, the market share is well over 30 per cent.

This steady rise in Japanese presence has drawn [illegible] from industry [illegible]. Robert Lutz, president of Chrysler Motor, on Sunday night [illegible] the government to limit [illegible] market [illegible] in the US, including local production.

The Honda Accord was the best-selling car in [illegible] for the second successive year. Honda came within a whisker of ousting Chrysler from third place in the US car market. The Japanese group, including its Acura luxury car division, captured 9.2 per cent of US car sales compared with Chrysler's 9.3 per cent.

The ailing Chrysler group, which had to abandon co-operation talks with Fiat of Italy last [illegible] of the worsening economic outlook, suffered a fall in market share from 10.4 per [illegible].

Not all the Japanese producers are flourishing, however. Nissan lost US market share last year at a time when most Japanese carmakers were gaining.

According to Mr Poling, worldwide Japanese vehicle production capacity has increased since 1979 from about 10m to almost 17m in 1990. Of last year's total, about 1.7m [illegible] produced in [illegible] America, almost double the level of 1987.

Ford claims that total worldwide production capacity exceeds demand by 8.4m units, and almost 8m units of this overcapacity is aimed at the North American market.

"The situation is expected to remain a serious problem throughout the [illegible]. By 1995, Japanese production capacity is expected to reach some 19m units, of which 2.5m will be located in North America," said Mr Poling.

As if to add salt to the wounds, Toyota announced at the Detroit show that it will soon decide on its plans to enter the US market for full-size pick-ups. This is one of the few segments not yet touched by the Japanese carmakers and an important symbolic preserve of US producers.

Chrysler names president, Page 22

J.P. Morgan defies downward trend in US bank results

By Alan Friedman in New York

J.P. MORGAN, the big New York banking group, continued to buck the dismal trend in US commercial banking by reporting a 24 per cent rise in fourth-quarter net income, to $191m or 98 cents a share.

Morgan, one of the strongest and most conservatively managed of US financial institutions, has consistently outperformed [illegible] rest of the US banking [illegible]tor. Results from most other banks tell a sorry tale of spreading recession and loan losses.

Chase Manhattan, the second biggest US bank, yesterday reported hefty fourth-quarter bad debt provisions and [illegible] full year 1990 loss of $334m or [illegible] a share.

The [illegible] of recession and property loan losses was also underscored by the halving of fourth-quarter net profits at First Chicago, where the $57.1m net profit was struck after $110m of provisions for loan losses and a $19m charge for staff reductions and office closures.

Results from First Chicago translate into a 31 per cent drop in net profits to $249.3m for 1990. First Chicago is based in a region which has supposedly been less affected by US economic woes.

The downturn in the Pennsylvania economy was also highlighted yesterday by the news that PNC Financial Corporation, the 15th biggest US bank holding company, is facing $400m to $450m of fourth-quarter loan losses. It expects a deficit for the quarter of up to $175m.

In New York, Mr Dennis Weatherstone, chairman of J.P. Morgan, said 1990 results were helped by significant fourth-quarter gains on the trading side, which earned $212m, or $92m higher year-on-year. Morgan's net interest revenues were 6 per cent up at $87m in the fourth quarter.

At Chase, fourth-quarter earnings were in line with expectations at $193m. Net interest revenues and fees were up, but offset partly by trading losses and increased bad debt provisions.

The bank's restructuring, aimed at reducing operating expenses by $300m, was almost complete, said Mr Tom Labrecque, chairman. Chase's full-year 1990 results were affected by $1.3bn of bad debt provisions, including $650m in the third quarter.

The bank also took $350m of restructuring charges and recorded $212m of gains ($160m after tax) from the sale of properties in Germany and Japan.

Blow to Astra prospects as FDA reverses Losec decision

By Robert Taylor in Stockholm and Clive Cookson in London

ASTRA, the Swedish pharmaceutical [illegible], suffered an unexpected blow to [illegible] for its Losec anti-ulcer drug with the announcement yesterday that the US Food and Drug Administration had not approved Losec for use in the first-line treatment of all ulcers.

The refusal reverses a recommendation made last May by the FDA's own advisory committee. Losec, sold under the trade name Prisolec through Merck in the US, was first approved by the FDA in September 1989 for limited use in critical cases of reflux oesophagitis.

The FDA decision is a setback for Astra which had expected Losec to be granted approval for wider use in ulcer treatment. In the run-up to Christmas the company had expressed confidence that it was only a matter of a few days before the FDA [illegible] its recognition to the drug.

[illegible] to close [illegible] on the Stockholm bourse yesterday. Any [illegible] in approving [illegible] is good news for Glaxo of the UK whose best-selling drug, Zantac, is the [illegible] leading ulcer [illegible]. [illegible] in [illegible] on Friday in anticipation of an [illegible] FDA [illegible] on Losec; yesterday they followed the market down and lost 8p.

Since its launch in 1978 in Sweden, Losec has made an [illegible] inroad into world [illegible]. The drug accounts for a fifth of Astra's total drug sales.

Mr Staffan Ternby, Astra's information director, [illegible] yesterday [illegible] nothing had been finalised with the FDA over the use of Losec.

Astra said it was in talks with the FDA and Merck.

It said it could not accept the [illegible] proposals, adding that discussions were aimed [illegible] finding an acceptable form [illegible] which would indicate with precision what ulcer cases can be covered by the use of Losec in the US.

[illegible] is a more powerful drug than Zantac [illegible] the [illegible] is saying that the drug can [illegible] only [illegible] patients are "poorly responsive" to "customary medical treatment" [illegible] duodenal [illegible].

HK Bank tightens grip on J Capel with appointment of new chairman

By John Elliott in Hong Kong and Richard Waters in London

THE [illegible] and Shanghai Banking Corporation has moved to take direct control of James Capel, its [illegible] broking subsidiary which has made heavy losses, by appointing a new [illegible] chairman.

Mr Bernard Asher, who started his new job yesterday, [illegible] been executive chairman of Hongkong Bank's Wardley merchant banking subsidiary since 1987. His appointment ends Capel's high degree of independence since becoming a Hongkong Bank subsidiary in 1986 – a relationship that set Capel apart from most London-based houses.

During that time, [illegible] between the broker and its parent have been soured by a string of heavy losses, in part due to trading mistakes by the firm but largely as a result of difficult market conditions.

Capel [illegible] expected [illegible] report heavy losses for 1990 when it reports annual results in March. This follows losses of £45.2m ($88m) in 1987 and 1988 and pre-tax profits of £4.6m in 1989.

In the past year, although the broker says it has generally been operating at break even, it has been weighed down by a number of one-off factors: a significant loss in its euroconvertible business in London at the start of the year, the [illegible] of closing [illegible] some parts [illegible] operations, including [illegible] fixed [illegible] business, and redundancies.

Last month Hongkong Bank called off a three-year-old engagement with the UK's Midland Bank with which it had been expected [illegible] merge under a joint holding company. Its priority now is to reverse its hands-off approach [illegible] management [illegible] its subsidiaries and to return them to profit.

[illegible] the deal when Capel was acquired was that the broker would [illegible] left [illegible] run its own affairs. This led to [illegible] until Mr [illegible] Quinnen, chairman and chief executive, resigned last March after a [illegible] of rows with Mr William Purves, the Hongkong chairman.

Mr Asher succeeds Mr [illegible] Wrangham, Hongkong Bank's London-based director, [illegible] became [illegible] chairman when Mr Quinnen left.

Hongkong Bank's move was welcomed cautiously in London yesterday. A [illegible] Capel executive said: "We had little option – [illegible] either had to cut back and become very much smaller, perhaps through a buy-out, or carry [illegible] what we are already doing and get closer to the bank."

هكذا من الأهل

Tootal chief resigns as pre-tax profits are cut

By [illegible] Fuller

THE RESIGNATION of Mr Geoffrey Maddrell as chief executive of Tootal, the UK textile group, has removed an obstacle in the group joining forces with its rival Coats Viyella and increased doubts about Tootal's profit performance.

Mr John Craven, Tootal's chairman and also chairman of Morgan Grenfell, the merchant bank, gave two reasons for the departure. He said Mr Maddrell would have had difficulty in dealing with Coats Viyella had the aborted merger been revived, and that [illegible] needed [illegible] to [illegible] more rigorous management.

The departure of Mr Maddrell [illegible] with the cutting [illegible] of Tootal pre-tax profit from about £35m [illegible] to less than [illegible] for the year about to end.

This would bring the figure to a lower level than the [illegible] recorded in 1986-87, the year Mr Maddrell joined. Yesterday's share price of 68p compares with the 138p originally agreed with Coats.

Mr Craven said Mr Maddrell had made "intemperate [illegible]" after the [illegible] merger fell through. Coats, which retains a 29.9 per cent stake in Tootal and is headed by Sir David Alliance, cut its offer substantially in autumn [illegible] because trading conditions had worsened during a Monopolies and Mergers Commission inquiry.

Mr Craven added that Mr Maddrell's potential role as managing director of the combined group had been cancelled out by Coats's appointment of a chief executive, Mr Neville Bain. [illegible], however, pointed out that it was more than a year since merger discussions had taken place between the two groups.

Mr Maddrell, 54, who joined Tootal from Bowater, is being replaced by Mr Anthony Habgood, head of the fabrics, clothing and [illegible] fabrics businesses. Another executive director, Mr James Harrison, takes up the post of deputy chairman.

Mr Habgood said it was important for Tootal to have a [illegible] commercial relationship" with Coats as they were mutual suppliers as well as potential partners.

Roche annual sales rise 3%

By William Dullforce in [illegible]

ROCHE, the Swiss pharmaceuticals and chemicals group, yesterday reported a 3 per cent increase to SFr9.68bn ($7.6bn) in sales in 1990. Without giving a figure, it said it expected to post another improvement in profits.

In [illegible] which formerly traded as Hoffmann-La [illegible], recorded a 33 per cent climb in net consolidated earnings to SFr852m.

When calculating last year's growth in turnover, adjustment has been made for the sale of the Maag crop protection [illegible] and the Medi-Physics radiopharmaceuticals company.

In local currency terms, the year-on-year increase was 14 per cent, but the 1990 figure includes fourth-quarter [illegible] by Genentech, the Californian biotechnology company, of which Roche acquired 60 per cent last year. Genentech's [illegible] running at about SFr140m a quarter.

Roche's confident profit forecast is based on the [illegible] performance of its pharmaceuticals division, where [illegible] climbed 10 per cent to [illegible], equivalent to [illegible] per cent in local currencies.

Rocephin, the antibiotic drug, and the anti-rheumatic Tilcotil [illegible] special contributions to the increase, Roche said. Good results were also realised on the non-operational side.

[illegible] of SFr2.4bn in vitamins and fine chemicals represented a [illegible] per cent decline in [illegible] franc terms, but a 3 per cent rise in local currencies. The high value of the franc against the dollar had increased price and [illegible] pressures [illegible].

An unchanged turnover of SFr1.3bn in diagnostic equipment concealed a 14 per cent [illegible] in local currency terms.

[illegible] from fragrances and [illegible] reached SFr1.1bn, a 2 per cent fall in Swiss franc terms but a [illegible] per cent [illegible] in local currencies.

Nora and Orkla to discuss co-operation

By Karen Fosall in Oslo

NORA INDUSTRIER and Orkla Borregaard, [illegible] Norwegian companies with interests in the food and [illegible] industry, [illegible] this week to discuss [illegible] co-operation.

Norax has a 20 per cent shareholding in Orkla and says that it wants to boost co-operation. For its part, Orkla has long advocated creating bigger Norwegian industrial units which would have muscle enough to withstand foreign advances.

"A co-ordination of Nora's and [illegible] Borregaard's food [illegible] will [illegible] which can be a 'locomotive' within Norwegian industry and give [illegible] strength for further internationalisation," Mr Leif Frode Onarheim, Nora's managing [illegible] said.

About 20 per cent of Nora's turnover stems from [illegible] Norway. In the first eight months of 1990, the company more than doubled profits to NKr493.7m ($82.35m) from NKr197.7m in the same period a year earlier.

Orkla profits [illegible] in that year's eight month period to NKr505m from NKr448m in the same period in 1989.

French ski companies see heavy losses

By William Dawkins in Paris

SALOMON, the world's largest maker of ski bindings, and Rossignol, the leading French producer of skis, incurred heavy [illegible] in the six months to last September and expect to stay in the red for the full year.

Good snowfalls in the Alps after several years of inadequate [illegible] late in return [illegible] French ski industry to profit this year, although both companies envisage returning to the [illegible] in 1991-1992.

Demand for downhill skis has slipped by [illegible] than [illegible] per cent, while the market for cross-country skis has fallen by [illegible] per cent, the companies estimate.

Salomon [illegible] into a [illegible] of FFr92.7m ($17.8m) from a profit of FFr171.5m in the corresponding period of last year, after an exceptional [illegible] for the [illegible] job losses which it started to make last June. The company [illegible] the second half should show an improvement over the first, though there would still be a [illegible] for the year.

Rossignol swung from a profit of [illegible] to a loss of FFr12m, and is forecasting a loss of at least FFr100m for the year. This will include a [illegible] exchange rate loss caused by the impact of the dollar's decline on the French currency value of its US golf equipment [illegible], acquired in an attempt to diversify away from the troubled ski industry. Salomon [illegible] diversified into golf equipment, and yesterday reported that the market was weak.

Rossignol also expects a FFr20m restructuring bill for the full year. Its sales in the first six months fell by 16.8 per cent from FFr855m to FFr711m.

■ Credit Lyonnais, the French state-owned bank which last week was given a seat on the board of French construction group Société Auxiliaire d'Entreprises (SAE), plans to build up a share stake in the company.

French press reports suggest that the bank could buy up to [illegible] per cent of SAE.

Elf seeks Spanish acquisition

By William Dawkins in Paris

ELF Aquitaine, the French state-controlled oil group, is hoping to buy Ertoil, the Spanish petrochemical producer, as part of a strategy of expanding [illegible] downstream operations in Spain.

Ertoil was acquired only last week from Ercros, Spain's largest chemicals producer, by General Mediterranean Holding (GMH) a Luxembourg-based investment company headed by Mr Nadhmi Auchi, a British businessman of Iraqi origin, who also has a 4.5 per cent stake in Paribas, the leading French investment bank.

In an ironic twist to the deal, the Kuwait Investment Office controls Torras Hostench, the main shareholder in Ercros.

GMH had outbid Total, Elf's smaller state-controlled oil company rival, and [illegible] other medium-sized oil groups to buy Ertoil for Pta44.5bn [illegible] and made [illegible] of the fact that it simply wanted to sell the group on to an oil company.

Loïk le Floch-Prigent: chairman of Elf

Elf has emerged as an obvious candidate because of its eagerness to build up sales in Spain, which it considers an important market for refined products. The French group is understood to be confident of its chances of acquiring Ertoil, and believes negotiations could be concluded in a few months.

Total yesterday confirmed that it is no longer interested in bidding for the Spanish petrochemical group.

Ertoil owns a refinery producing lubricants, bitumen and asphalt at Huelva in the south of Spain. Also of interest to Elf is Ertoil's 7 per cent stake in Campsa, the state-controlled chain of service stations which holds a near monopoly of Spanish petrol distribution.

Campsa's activities are due to be shared out among five oil groups in the next year, as a result of the application of European Community competition rules to the Spanish petrol market.

Elf's Spanish expansion began last July when it announced plans to take up to 25 per cent of Cepsa, the country's second largest oil group, plus 3.3 per cent in Banco Central, Cepsa's main shareholder. The aim is to co-operate in refining and marketing in Spain.

If the deal goes through, it will have been a busy few days for the corporate strategists at Elf, which is headed by chairman Mr Loïk le Floch-Prigent.

Last week, Sanofi, the French drugs company which is 62 per cent-owned by Elf, announced that it was to pool most of its operations with Sterling Drug of the US. The deal creates one of the world's top 20 pharmaceuticals groups.

Sanofi and Sterling Drug are to form new group with combined annual sales of $2.3bn. Sterling Drug is part of the Eastman Kodak group.

Snecma warns of falling demand

By William Dawkins

SNECMA, the French state-controlled aircraft engine maker, yesterday [illegible] that the slowdown in demand from its [illegible] customers was spreading [illegible].

Mr Louis Gallois, [illegible] chairman, estimated that Snecma's sales rose 14 per cent last year to FFr14.1bn ($2.71bn), [illegible] forecasts [illegible] the embargo on sales to Iraq.

Several hundred million francs of business had been lost as a result of the Gulf crisis, although Mr Gallois [illegible] to give further details. He expected net profits to be between FFr50m and FFr100m, as against FFr85m in 1989. Without the embargo, profits would have increased, he estimated.

The evidence for the slowdown is a decline in the rate of new orders, FFr10.4bn last year as against FFr12.4bn in 1989. Mr [illegible] said activity was low in defence and that civil demand, which represents three-quarters of turnover, [illegible] to weaken in the second half. This was especially true for the CFM56 commercial jet engine, jointly made with General Electric of the US.

He attributed the market weakening to US airlines' financial problems, the dollar's weakness and general slowdown of leading economies.

However, this was not yet serious enough for Snecma to reduce its production, currently averaging 100 engines a month. The order book stood at FFr34.5bn, representing three years' work at the current rate, of which 82 per cent was destined for export.

UBS dividend cut 'unlikely'

UNION BANK of [illegible] (UBS), Switzerland's largest bank, [illegible] not think a dividend cut on [illegible] results is likely, despite expectations [illegible] profit will be down between 10 and 20 per cent, according to a [illegible] press report, Reuter reports from Zurich.

Mr Nicholas [illegible], chairman, [illegible] the bank is seeking to keep its personnel and other costs under control, but stressed that no lay-offs where planned.

Siemens buys two east German companies

SIEMENS, the German electrical and electronics group, has purchased two electrical engineering companies in [illegible] Germany, AP-DJ reports from Bonn.

The two companies will eventually [illegible] than DM1bn ($652m) in [illegible], a [illegible] official [illegible]. He also [illegible] Siemens hopes to finalise agreements announced [illegible] to take [illegible] east German cable companies before the end of the month.

Siemens plans to invest a total of DM75m in the two electrical engineering companies in the next two years. Most of that will go into computers and improvements in machinery.

With 5,100 employees throughout eastern Germany, the two companies will provide Siemens with far-reaching market penetration in the area, the group said.

AEG turns in DM500m loss for year

By David Goodhart in Bonn

AEG, the German electrical and electronics subsidiary of the Daimler-Benz group, has made operating losses for 1990 of about DM500m ($326m), according to a German press report.

The company refused to comment on the report, but confirmed that losses were expected at the long-troubled office equipment subsidiary, Olympia, and at Sparte automation technology. AEG also confirmed that both subsidiaries were now up for sale.

The loss, if confirmed, would be more than twice as high as previous press estimates, and compares with a break-even result at operating level in 1989.

In September, the company said it had broken even on the first six months of 1990 and should be able to maintain the 1989 dividend. "That statement still stands," said an AEG official.

A large loss at AEG will be a further drain on Daimler-Benz and is likely to postpone the transference of AEG's profit to Daimler which was to have begun in 1992.

Continued on Page 21

INTERNATIONAL COMPANIES AND FINANCE

Margins squeeze depresses NCR in final quarter

By Alan Friedman in [redacted] York

NCR, the Ohio computer company that [redacted] the [redacted] a $6.1bn hostile takeover bid from American Telephone [redacted] Telegraph (AT&T), yesterday revealed [redacted] slump in [redacted] earnings for [redacted] quarter [redacted] $111m.

[redacted] NCR's share price was [redacted] $1¼ lower [redacted] $84. The [redacted] AT&T's [redacted] bid [redacted] the company [redacted] a share.

The drop in profits was attributed to a [redacted] in domestic US [redacted] to [redacted] squeeze [redacted] gross margins du[redacted] of introducing [redacted] tion [redacted] products [redacted] autumn, and to [redacted] growth in research [redacted] development, advertising [redacted] marketing expenses related to the new products.

The fourth-quarter profit was struck on revenues of [redacted] a rise of 6 per cent. [redacted] the whole of 1990, NCR recorded [redacted] 10 per cent drop in [redacted] profits, to $369m. Full-year revenues were [redacted] per cent higher [redacted]

NCR's earnings per share reached [redacted] new high of $5.43, but [redacted] partly to the company's buy-back [redacted] during [redacted] a pro[redacted] that also depressed [redacted] income.

Mr Charles Exley, [redacted] chairman, said [redacted] company's ability [redacted] grow [redacted] especially in the first six months, [redacted] limited by the slowing worldwide economy. He forecast [redacted] growth in full-year profits, [redacted] half earnings would be affected by [redacted] transition [redacted] products.

The [redacted] AT&T [redacted] expected to occupy NCR's top management for [redacted] of the [redacted] months, culminating in [redacted] series [redacted] legal and [redacted] battles toward April, [redacted] NCR will hold its annual [redacted] ing of shareholders.

Charles Exley: forecasts modest full-year growth

Abbott Laboratories climbs 10%

[redacted] Karen Zagor

ABBOTT Laboratories, the Chicago-based pharmaceuticals and healthcare company, yesterday turned a 10.6 per [redacted] rise in fourth-quarter [redacted] from [redacted] in [redacted] jumped 17.1 [redacted] cent to $1.71bn [redacted] $1.45bn [redacted] year ago.

The company [redacted] fewer shares outstanding [redacted] the latest quarter, [redacted] earnings [redacted] grew 14 per [redacted] from 57 cents.

For the whole of 1990, Abbott's [redacted] profits improved 12.3 per cent to [redacted] from $859.8m. Earnings per share rose [redacted] $2.22 from $1.93. [redacted] in [redacted] advanced to $6.16bn from $5.38bn.

Mr Duane Burnham, chairman [redacted] chief executive, attributed [redacted] improved perfor[redacted] to higher unit sales worldwide from each of Abbott's main businesses, [redacted] nificant new product introduc[redacted] and [redacted] from the [redacted] pany's continuing emphasis on improving productivity.

During the year, [redacted] rate [redacted] return [redacted] investment [redacted] 34.7 [redacted] cent, against 33.1 per cent in 1989.

Sales of pharmaceutical and nutritional products rose 13.5 per cent in 1990 to $3.16bn.

In the US, sales increased 10.2 per cent [redacted] $3.84bn, [redacted] sales in international markets, including [redacted] exports from [redacted] US, surged [redacted] per [redacted] $2.32bn.

Abbott [redacted] benefiting from a [redacted] tions. During [redacted] company received approval [redacted] (FDA) [redacted] screening test to detect hepatitis C.

The hepatitis C virus [redacted] said [redacted] the most prevalent [redacted] disease [redacted] developed world.

Embraer plans [redacted] cost-cutting

By Victoria [redacted] in Sao Paulo

THE Brazilian government has officially [redacted] its [redacted] Embraer, [redacted] state-owned aircraft manufacturer, forcing [redacted] ailing group [redacted] embark [redacted] another big cost-cutting programme [redacted] remain [redacted] operation.

Mr Joao Cunha, the newly-appointed president of Embraer, [redacted] he would [redacted] step [redacted] production [redacted] cut costs in order [redacted] save the company.

As part of the new austerity [redacted] he has suspended the CBA-123 jet, an Embraer joint project with Argentina.

The total cost of the venture [redacted] estimated at $300m, of which [redacted] has been spent since [redacted]

"We will [redacted] selling off cars, land and anything that is not immediately [redacted] for production," Mr [redacted] said.

The president added that employment levels, which were cut by a [redacted] a few months ago, would be unaffected. Mr Cunha said that Minister Cardoso de Mello has promised to pay the $200m the government owes Embraer in accounts payable [redacted] viable rationalisation programme [redacted] government [redacted]

The minister also conceded payment of funds from a former debt conversion programme. [redacted] expect the last instalment of the total $150m outstanding by [redacted] 15.

Bank of Nova Scotia buys 24% Chile stake

By Bernard Simon in Toronto

BANK OF Nova Scotia is taking advantage of Chile's improved economic outlook by buying [redacted] 24 per cent stake in Banco [redacted] Americano, the country's sixth-biggest bank.

Toronto-based BNS has paid US$20.7m for its stake, financed by converting part of its public [redacted] loans to Chile into [redacted] currency under the Chilean government's debt-for-equity plan.

The Canadian bank will appoint two directors to Banco Sud Americano's 10-person board.

BNS [redacted] understood [redacted] be [redacted] in acquiring equity [redacted] in [redacted] Latin Ameri[redacted] banks, especially in Mexico.

[redacted] interests in the Caribbean, and sees expansion in selected Latin American countries as a sound long-term strategy in view of the moves towards closer trade ties between Canada, the US and other countries in the western hemisphere.

BNS also owns 40 per cent of Solidbank, one of the leading banks in the Philippines.

Banco Sud Americano has assets of about US$1bn, with 31 branches and 1,500 employees.

The chairman of the bank, Mr Jose Borda, and two vice-chairmen between them own 55 per cent of its equity.

Chile's successful return, Page 28

KKR may bid for Bank of New England

By Alan Friedman in [redacted] York

KOHLBERG, Kravis, Roberts (KKR), the leveraged buy-out [redacted] best known [redacted] $25bn takeover of RJR Nabisco, is believed to be considering a bid for the remains of the Bank of New England (BNE), the Boston-based bank that was seized by federal regulators on January 6.

KKR refused to comment on a possible bid, but it has been learned that the New York firm initially expressed an interest in the New England bank last summer [redacted] executives discussed a [redacted] capital [redacted] from [redacted]

The leading contenders for the 300-branches and remaining assets at BNE are the California-based Bank of America and Banc One of Ohio. At least three other bidders are understood to be in the wings.

US stores to close

SEARS, ROEBUCK, the [redacted] US retailer which is trying to improve its disappointing merchandising operations, is [redacted] close 47 McKids stores. Sears [redacted] about 600 employees would [redacted] affected. [redacted] Karen Zagor in [redacted] York.

Junk bond problems push Insilco into filing for protection

By Karen Zagor in New York

INSILCO, a diversified US manufacturer which was taken private in a $812.8m leveraged buy-out in 1988 financed through high-yield bonds, has become the latest victim of the junk bond frenzy of the 1980s.

The company filed for protection from creditors under Chapter 11 of the federal bankruptcy code because it was struggling to make interest payments.

Insilco, which makes speciality products for the automotive, telecommunications, electronics, defence and consumer products markets, was acquired by two Texas oil magnates, Mr Cyril Wagner and Mr Jack Brown, who forced management to abandon an earlier bid of $742m for the company.

The bankruptcy filing may strike a blow to Merrill Lynch, which underwrote two junk bond issues for the LBO. Merrill Lynch is reported to have owned half of a $218m junk-bond issue in May and a substantial amount of another $270m issue.

A company spokesman said: "Although Insilco's cash flow from operations excluding interest is positive, declining financial performance resulting from an increasingly difficult business environment and recessionary economy made it extremely unlikely that the company would be able to meet its ongoing interest and debt service requirements."

For the nine months to September 30, the company turned in a net loss of $52.4m on sales of $501.3m. Its had operating income of $44.8m. Insilco expects its 1990 interest expense to be about $113.5m.

Insilco, which had $830m of debt at the time of the takeover, now has about $778m in outstanding debt, including $248m in bank debt, $455m in subordinated debt and $75m in senior notes.

The company said it filed the voluntary petition after protracted negotiations with bondholders, which started more than eight months ago, failed to produce a restructuring agreement of the company's debt.

Chrysler appoints Lutz to new post of president

By John Griffiths

MR ROBERT LUTZ has been appointed to the newly-created post of president of Chrysler Corporation. The move is part [redacted] a restructuring [redacted] top management positions within North [redacted] largest [redacted] producer, which has [redacted] during the past year.

The 58-year-old Mr Lutz, who joined Chrysler in 1986 having previously [redacted] Europe, becomes responsible for all Chrysler Corporation's North American motor activities, including [redacted] marketing, product development, procurement and supply, and manufacturing.

He is also responsible for Acustar, Chrysler's parts manufacturing subsidiary and Chrysler operations in Mexico.

Mr Lutz's former titles, president and chairman of Chrysler Motors, [redacted] been discontinued.

The move consolidates Mr Lutz's third position in the Chrysler Corporation hierarchy, following the departure at Christmas of Mr Bennett [redacted] well, the flamboyant former chairman of Chrysler [redacted] and the earlier departure of Mr Gerald Greenwald, once widely regarded as "heir apparent" to Mr Lee Iacocca, Chrysler Corporation's chairman.

Robert Lutz: former Ford of Europe chairman

Mr Greenwald's place as deputy chairman of Chrysler Corp was taken by Mr Robert Miller, chief financial officer since 1981.

Chrysler has also appointed four general managers to co-ordinate all product development and market/consumer data for product lines. The managers will report to Mr Lutz.

The shuffle comes at a difficult time for Chrysler which, in common with General Motors and Ford, is facing a downturn in the US vehicle market.

US bill proposes market regulator changes

By Barbara Durr in Chicago

LEGISLATION [redacted] long-running dispute between the Commodity Futures Trading Commission, [redacted] futures regulator, and [redacted] Securities and Exchange Commission, the securities regulator, was introduced yesterday by Senator [redacted] Leahy, [redacted] of the Senate agriculture committee.

[redacted] Futures Trading Practices [redacted] 1991 is sponsored by six key [redacted] from [redacted] agriculture and banking committees which oversee the two regulatory agencies.

It would [redacted] CFTC [redacted] retain its authority over stock index futures, the main bone of contention, but would assign margin authority for these to the US Federal Reserve.

Currently, margins [redacted] set by [redacted] exchanges, [redacted] broad oversight by [redacted]

[redacted] bill would [redacted] CFTC's [redacted] jurisdiction [redacted] hybrid financial products, such as index participations, which could trade under either the federal futures or securities regulatory schemes.

The CFTC is also granted exemptive power to allow certain new products to trade [redacted] side the futures regulatory system, and is directed to exempt [redacted] agreements and certain bank certificates of deposit.

The CFTC and the SEC are [redacted] by the bill [redacted] co-operate on such intermarket [redacted] circuit breakers, intermarket fraud and cross-margining.

[redacted] provisions settling this jurisdictional dispute were worked out as a compromise [redacted] the Senate late last year. The compromise [redacted] not supported by the Chicago markets. The legislation also contains the CFTC's [redacted] year [redacted] tion, which specifies [redacted] and [redacted] powers for the agency.

Citing recent federal investigations of fraud in Chicago markets, Senator Leahy urged rapid consideration of the bill.

Continued on Page 24

Deregulation keeps Finnish mining group on solid ground

Kenneth Gooding finds the chairman of Outokumpu optimistic as the state loosens its grip on the expanding company

OUTOKUMPU, the Finnish mining and metals group whose size has tripled in the past 10 years, looks set [illegible] continue its rapid growth in [illegible] 1990s, according to [illegible] Pertti Voutilainen, the president.

He admits that [illegible]igorous acquisition activity in the second half of the 1980s strained the company's financial resources, mainly because the majority shareholder, the Finnish government, was not willing [illegible] provide much extra equity funding.

However, the structure [illegible] changed recently so that Outokumpu is now state- and privately-owned. The group's A shares have been traded on the Helsinki stock exchange since October 1988. The Finnish government has reduced its shareholding to 57 per cent, with the rest held by institutions and private Finnish investors.

Restrictions on non-Finnish nationals owning shares in the group have also been lifted so that foreigners can between them own up to 20 per cent of the issued capital.

"The political trend in Finland is towards privatisation. I am sure that some day in the 1990s Outokumpu will be less than 50 per cent owned by the state," says Mr Voutilainen. The Finns [illegible] to the polls in [illegible] for a general election and privatisation will [illegible] one [illegible] the key issues.

"To us, this is not an ideological question, but a pragmatic one. How do you raise equity?" says Mr Voutilainen.

He points out that most of Outokumpu's recent growth has been outside Finland. Half [illegible] operations are now outside [illegible] country; half [illegible] 6,300 employees are not Finnish; and 90 per cent of the sales are derived from other markets.

"It only [illegible] reasonable that, [illegible] international base metals company, we should be listed on other stock exchanges," he [illegible].

This will take some time, [illegible] Voutilainen admits. Another difficulty Outokumpu faces is that investors find it difficult to understand the group or to find another company with which to compare it.

Outokumpu started life as a mining company. Today it not only mines copper, nickel and zinc, but [illegible] smelts these [illegible]als. It has assembled one of the [illegible]'s biggest [illegible] semi-fabrication [illegible] and [illegible] probably the only global player in this highly-competitive industry.

Pertti Voutilainen: Trend in Finland is toward privatisation

The group owns an array of embryonic companies [illegible] in special services and frontier-[illegible] technologies [illegible] with its mainstream businesses. [illegible] likely to have a significant impact on earnings in years to come.

And, unusually for a base [illegible], Outokumpu is a big and growing stainless steel producer.

The group [illegible] the [illegible] [illegible] core businesses [illegible] into four segments: base metals production; copper products; stainless steel; and technology. Copper mining and smelting activities are set to expand rapidly in the next few years as Outokumpu attempts to balance production with demand from its copper semi-fabrication operations. These have been hugely expanded by recent acquisitions; the group took control of Iberica del Cobre in Spain, and paid about $200m for American Brass, the second largest copper semi-fabricator in the US with a 20 per cent market share.

Although Outokumpu's copper semi-fabricating operations will use 450,000 tonnes of the metal this year, its own copper mines have the capacity to produce only 50,000 tonnes and its smelters 100,000 tonnes.

Projects under consideration in Chile, including the promising Zaldivar deposit acquired recently, would lift mined copper output to between 100,000 and 150,000 tonnes a year. Outokumpu would also have 60 per cent of [illegible] planned copper smelter in Portugal, which will output more than [illegible] tonnes a year.

The base metals operations [illegible] of [illegible] products each accounted for about one third [illegible] Outokumpu's [illegible] sales of FM12bn ($3.3bn). Fabrication will jump to 40 per cent of sales this year.

Mr Voutilainen [illegible] the group will pause to digest the recent acquisitions. The copper semi-fabrications market is highly competitive and there [illegible] over-capaci[illegible] [illegible] Europe, so Outokumpu will concentrate on putting its operations on [illegible] a more solid footing.

One reason for Outokumpu's growing international presence is that its mines in Finland are running out of ore and it must go to other parts of the world for new sources.

The group is the biggest zinc producer in western Europe, through its ownership of the Tara mine in Ireland. Smelting is carried out in Finland.

"We [illegible] clear [illegible] objectives for our zinc operations, but [illegible] are not talking about them publicly. We will maintain our position as one of the world's leading zinc producers but there is no urgent need for us to grow in zinc," says Mr Voutilainen.

Outokumpu's strength in the stainless steel sector also comes from integration. Chromium and nickel are mined and processed into stainless steel, which is then cold-rolled, all on one site at Tornio in Finland.

However, looking ahead to when nickel supplies might run short, Outokumpu has a half-share in the US$350m Mt Keith project in Western Australia, which will add about 5 per cent to western world supplies of nickel when it comes on stream in two years.

As Mr Voutilainen points out, Outokumpu also wants to locate its copper semi-fabrication production close to customers and is therefore developing pan-European, north American and Pacific Basin operations. "If we want to grow, we will grow outside Finland because we have no more room to grow inside Finland."

However, he says it will be many years before the group can take advantage of potential markets [illegible] neighbouring Soviet Union.

Mr Voutilainen suggests the Soviet Union does not have the money to buy many western products. "But in order to build a base for future development they must invest in technology. And that [illegible] us [illegible] market."

The So[illegible] [illegible] accounts for only [illegible] per cent of Outokumpu's metal sales. The potential, however, [illegible] enormous.

Saudi bank 31% ahead despite run on deposits

UNITED Saudi Commercial Bank (USCB) yesterday posted a 31 per cent advance in net profits for 1990, despite the shock to the Saudi banking sector caused by Iraq's August 2 invasion of Kuwait, AD-DJ reports from Manama.

USCB, the first Saudi bank to report its 1990 results, said net profit rose to SR125.3m (US$33m) from SR95.3m in 1989.

The bank was able to recoup some of the customer deposits that were withdrawn in the immediate aftermath of the Iraqi invasion.

In common with all the kingdom's commercial banks, USCB suffered a considerable outflow during the second quarter of 1990.

Overseas banks cut their lending and Saudi residents rushed to withdraw their deposits because of initial fears that Iraqi troops might advance into Saudi Arabia.

Customer deposits rose 7 per cent to SR4.4bn at the end of last year from SR4.1bn at September 30 1990. But they were still below the SR4.5bn recorded at the end of June.

Total assets rose 19 per cent to SR6.2bn from SR5.2bn at the end of 1989.

USCB, which has not paid any dividends since it was created in 1983, again decided against a payout for 1990. The entire net profit for the year was transferred to bolster shareholders' funds, which rose 39 per cent to SR445m from SR320m at the end of 1989.

The bank set aside SR30m in provisions [illegible] possible loan losses, unchanged from the 1989 provision.

USCB was formed after a merger of the Saudi branches of Bank Melli of Iran, Banque du Liban et d'Outre Mer and United Bank of Pakistan. However, the bank also inherited a loan portfolio which soon turned sour with the downturn of the Saudi economy in the mid 1980s.

The bank made its first net profit in 1988, soon after installing new management.

During the past few years it has grown into one [illegible] the kingdom's most profitable banks, in terms of return on assets.

Turkish accounting shake-up reveals blemishes on the books

John Murray Brown on mixed reaction to laws designed to improves the country's reputation in international business

THE problems of Polly [illegible] International, the [illegible] group with [illegible] [illegible] and northern Cypriot interests which was [illegible] in [illegible] in October, could not have come at [illegible] more awkward time for [illegible] Turkish accounting profession, already in the throes of one of the [illegible] shake-ups in its short history.

The collapse raises serious questions about how well the local sub[illegible] [illegible] foreign quoted companies are audited [illegible] [illegible] time when many Turkish groups are bidding to improve their international profile.

Over the longer term, several Turkish bankers believe the affair is likely to have a damaging effect on the way Turkish business is per[illegible] internationally.

But there are also fears about changes in the accountancy industry. In the last decade most, though not all, of the large accountancy [illegible] have [illegible] up in Istanbul, catering for Turkish companies and banks who needed externally audited accounts [illegible] [illegible] [illegible] inter[illegible] business partners.

[illegible] internationally-oriented operations [illegible] with an [illegible] tradition of accountancy in Turkey which [illegible] little more than book-keeping for tax purposes.

Firms do not make provisions against such items as severance pay or deferred taxation

[illegible] January 1, a new Turkish accountancy law, intended [illegible] provide a new legal framework for the industry, came into full effect. It sep[illegible] the profession into tax consultants and auditors.

And, to the consternation of many foreign [illegible] already in Turkey, the law [illegible] prohibits foreign auditors – auditors who are not Turkish citizens – from signing a Turk[illegible] company's accounts. To continue to carry out audit work in [illegible] country, international accounting [illegible] have had [illegible] form joint ventures with [illegible] accountants.

The new laws also allow accountancy professors to carry out audits and government inspectors to assess tax liabilities. [illegible] [illegible] accountant described it as the retirement [illegible] of the ministry of finance.

"Turkish [illegible] [illegible] now [illegible] audited by people who know nothing [illegible] the profession," [illegible] one aggrieved foreign accountant.

Although not yet a member of the European Community, Turkey [illegible] committed to bringing its business [illegible] in line with Brussels. But, as one US accountant put it: "If Turkey were to join the EC, this new law would be declared invalid."

The law is not only in direct contravention of the EC's directive on the mutual recognition of qualifications, it is also largely against the interests of large Turkish groups who, now more than ever, need the international auditor's [illegible] of approval when seeking offshore finance or [illegible] link-up with foreign multinationals.

Accounting in Turkey [illegible] [illegible] largely a tax assessment exercise as far as most companies [illegible] concerned. Some would argue the main point of the new legislation was to make tax collection eas[illegible].

Turkish practice falls well short of international [illegible]dards. Firms do not make provisions against items such as severance pay or deferred [illegible]. [illegible] is no consolidation in the internationally accepted sense of netting out inter-group activity.

Also, for companies seeking a listing on the Istanbul stock exchange, initial audit requirements appear to offer investors little protection.

Vestel Elektronik, for example, is a white and brown goods company which [illegible] [illegible] on the [illegible] [illegible] [illegible] in June. It [illegible] regarded as one of the strongest companies in the Polly Peck group.

Officials say Vestel Elektronik has yet [illegible] present a [illegible] of externally audited accounts

According to [illegible] [illegible] exchange officials, Vestel Elektronik has yet to present a set of externally audited [illegible]. Confirming this, Mr Tahsin Karan, the Vestel chairman, said the company had yet to choose an external auditor.

Accountants in Istanbul [illegible] the pro-forma balance sheet of [illegible] presented to investors when the company was taken to the market, is virtually meaningless. The only figures on the exchange files were signed by Mr Ilknur Boraci, a lawyer employed by the company.

Since Vestel was only quoted in June 1990, the company will not have to present external accounts until June this year, according to the Capital Markets Board, the government watchdog for the Turkish securities and investment industries based in Ankara. According to the exchange's listing requirements, [illegible] company needs the signature of two qualified [illegible].

The [illegible] [illegible] Vestel [illegible] hardly encouraging at a time when the Turkish accounting profession is already in disarray. There is, however, [illegible], a more positive approach. [illegible] [illegible] [illegible] partner [illegible] one Istanbul auditing firm put it: "It often takes a corporate scandal [illegible] create a better profession."

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 14, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights January 11, 1991 United Kingdom £0.748781 United States $1.43 [illegible] Germany D Mark 2.14 [illegible] Japan Yen190.694
European Currency Unit Rates January 14, 1991 United Kingdom £0.698519 United States [illegible] Germany D Mark 2.05168 Japan Yen179.264

[illegible] Monday, January 14, 1991.

INTERNATIONAL CAPITAL MARKETS

Chile makes successful return to world finance

By Leslie Crawford in Santiago

CHILE has become the first Latin American country to secure a voluntary syndicated commercial bank credit since the debt crisis struck in 1982.

Mr Alejandro Foxley, the finance minister, said a group of 20 international banks last week fully subscribed $320m in *Eurobonds issued by the* Republic of Chile.

The successful placement marks Chile's return to the international financial markets.

It also completes Chile's debt rescheduling accord which was negotiated in record time – five days – in New York last September.

Mr Foxley said that in backing the Eurobond issue, creditor banks were displaying "a strong sign of confidence in Chile's medium and long-term *economic future*".

He stressed that this was no mean achievement given the domestic troubles affecting US banks and the international climate of uncertainty engendered by impending war in the Gulf.

US banks subscribed $160m of the $320m issue. European, Canadian and Japanese banks took up the remainder. The five-year bonds, with two years' grace, carry an interest rate of 1.5 percentage points over Libor; $200m will be issued in March this year and $120m in March 1992.

Alejandro Foxley: banks were showing confidence in future

Mr Foxley said the bonds were not tied to specific projects, but would contribute to the government's investment programme over three years.

Unlike Mexico and Venezuela, Chile renounced the option of a package of debt reduction and compulsory fresh credits as this would have delayed its return to the voluntary lending markets and its full rehabilitation in the eyes of its creditors.

In 1982, Chile had the highest per capita foreign debt in Latin America. The overall figure of $17bn has not changed since then, but Chile's pioneer use of debt-for-equity swaps and other buy-back schemes has reduced its commercial bank debt from $11bn *to $7bn.* A dramatic growth in exports has allowed the country to service its debt without difficulty.

The $320m loan is seen as a reward for the success of Chile's economic reforms and its impeccable debt-servicing record. It will also provide a strong incentive for other Latin American countries to emulate the Chilean model – privatising state companies, reducing fiscal deficits and opening up to international competition.

German banker to join PW

MR VOLKERT KLAUCKE, the former joint head of Deutsche Bank's mergers and acqui[illegible] subsidiary, [illegible] joining Price Waterhouse, the accountancy firm, as a partner and managing director of PW's [illegible] in Germany, writes David Waller.

The appointment is unusual in that senior bankers rarely join [illegible] firms, and especially so because PW is relatively weak in Germany having [illegible]ken its association with one of the country's larger [illegible] practices in 1988.

The move is, however, consistent with PW's strategy of expanding [illegible] corporate finance activities in Europe as a fourth business leg to complement the more traditional [illegible] of auditing, consultancy and tax services.

DB Mergers & Acquisitions, of which Mr Klaucke was joint [illegible] Mr Bodo Fuchs, has come under the management of Morgan Grenfell following Deutsche Bank's acquisition of the UK merchant bank in 1989. Mr Fuchs left last summer.

Although the Deutsche Bank corporate [illegible] subsidiary claimed market leadership in Germany, fee income for 1989 amounted to DM22m from 12 deals.

Mr Klaucke [illegible] that [illegible] joined PW because of the firm's European network – which would facilitate [illegible] transactions – and because [illegible] the firm had a better approach to M&A business in Germany than local bankers.

Liffe to list FT-SE futures contract

By Tracy Corrigan

THE London International Financial [illegible] Exchange plans to list the FT-SE 100 index futures contract on the exchange's automated pit trading (APT) system from February 4.

The early [illegible] trading session will run from about 4.30pm to 6pm.

"Liffe members will be able to provide their international customers, particularly those in the US who are showing increasing interest in the contract, with the opportunity [illegible] trade after the end of the European trading day," said Mr Michael Jenkins, Liffe's chief executive.

Volume in the FT-SE [illegible] future, Liffe's only stock index contract, ran to 1.4m contracts in 1990, up 40 per cent on the previous year.

Futures contracts already listed on APT are the long gilt, [illegible] T-bond, bund, short sterling, Eurodollar and Euromark contracts.

APT, launched on November 30 1989, is a screen trading system which simulates the conditions of [illegible]-outcry pit [illegible]ing. On January 7, APT traded its one millionth contract. There are currently 115 APT workstations, used by 51 Liffe *members and 600 traders.*

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101	101½		8.32
ALBERTA PROVINCE 9 3/8 95	600	102½	103½		8.63
AUSTRIA 8 1/2 00	400	97½	97¾		8.96
BANK OF TOKYO 8 3/8 96	100	96¾	97¾		9.14
BELGIUM 9 1/8 92	400	101½	102		8.00
BFCE 7 3/4 97	150	95¾	96		8.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92½	93½		9.70
KREDIETCORP 7 93 LFr	1000	93	94		10.20
WORLD BANK 8 96 LFr	1000	93½	94½		9.72
AMRO BANK 6 1/4 92 Fl	150	94½	95½		10.03
RABOBANK 5 3/4 93 Fl	150	92½	93		9.90
ALBERTA PROVINCE 10 92 C$	500	98½	98½		11.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month highest mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Continued on Page 31

Treasuries lift on bargain buying and rumour of hope

By Patrick Harverson in New York and Tracy Corrigan in London

AFTER the failure [illegible] the UN secretary-general's peace mission to Baghdad over the weekend had initially driven bond prices sharply lower yesterday, optimism for a negotiated settlement and bargain buying helped prices [illegible] late in the session.

In late trading, the benchmark 30-year Treasury bond was down just ⅛ at 104⅛, yielding 8.367 per [illegible]. The long bond had started the [illegible] over a point lower after heavy selling on [illegible] markets.

At the short [illegible] of the market [illegible] were virtually unchanged, with the two-year issue trading at [illegible], to yield 7.126 [illegible] cent. Volume [illegible] light, [illegible] players reluctant to run large [illegible] as the UN deadline for an Iraqi withdrawal from Kuwait approaches.

Although early yesterday the market [illegible] resigned [illegible] war in the Gulf, it [illegible] on reports that Iraq might be willing to withdraw from Kuwait so long as the Allies did not set a strict deadline for [illegible] move. These reports, which were unconfirmed, triggered a revival in prices, [illegible] at one stage had been [illegible] of a point lower at the long end.

The relative steadiness of short-term [illegible] yesterday ensured the recent trend towards a steeper yield curve was maintained. As the [illegible] war has grown, investors have moved into lower-risk [illegible] as part of a general flight to safety. "People are selling long and buying short," said Mr Robert Brusca, chief economist at Nikko Securities. Some analysts are predicting the yield on the long bond could reach 9 per cent if a Gulf war seriously disrupts oil supplies.

The market has not forgotten US economic fundamentals. Analysts are looking for further easing by the Federal Reserve to bolster economic activity. Yesterday [illegible] Fed arranged [illegible] in customer repurchase agreements when Fed funds were trading at [illegible] per cent, an indication that the authorities do not want the Fed funds rate to rise above the recently-set target of [illegible] per cent.

■ GERMAN bonds outperformed most other European bond markets yesterday, recovering from the day's lows to end only ½ point down.

"No one wants to be [illegible] at 9 per cent. That is still where German institutions buy," said Mr Alan Monnas, head of trading at Daiwa Europe. He added there is no imminent supply of paper to depress the market, as there was last month.

■ MEANWHILE, [illegible] UK [illegible] market [illegible] nearly a point, [illegible] though sterling was firmer, which helped support [illegible] and [illegible] ling contract [illegible] International Financial Futures Exchange (Liffe).

The 10-year [illegible] on [illegible] closed [illegible] a point.

■ IN the Japanese government bond market, prices slipped further in London, after weakness in Tokyo. European traders are [illegible] to be adopting a more pessimistic [illegible] than their counterparts in Japan.

According to Mr Gerard Lyons, chief economist at DKB International, traders in Tokyo think the market is well underpinned, while European traders are [illegible] about the Bank of Japan tightening rates and the yen's vulnerability to the dollar.

The yield on the 119 benchmark rose to 6.95 per cent, up 5 basis points from Tokyo's opening level, and 2½ basis points from Tokyo's close.

BENCHMARK GOVERNMENT BONDS

	[illegible]	[illegible] Date	[illegible]	[illegible]	Yield	Week [illegible]	[illegible]
[illegible] GILTS	[illegible]	09/92	[illegible]	[illegible]	[illegible]	11.34	[illegible]
	[illegible]	03/00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.11	[illegible]
US TREASURY *	8.500	[illegible]	102-03	-1/32	[illegible]	8.02	[illegible]
	8.750	[illegible]	104-02	[illegible]	[illegible]	[illegible]	8.06
JAPAN [illegible]	[illegible]	6/99	[illegible]	[illegible]	[illegible]	6.99	[illegible]
No 129	[illegible]	[illegible]	[illegible]	[illegible]	6.64	[illegible]	[illegible]
GERMANY	9.000	[illegible]	[illegible]	[illegible]	[illegible]	9.00	[illegible]
FRANCE [illegible]	9.000	[illegible]	95.0495	[illegible]	[illegible]	[illegible]	[illegible]
OAT	8.500	03/00	[illegible]	[illegible]	[illegible]	9.66	[illegible]
CANADA *	10.500	03/01	[illegible]	[illegible]	[illegible]	10.11	[illegible]
NETHERLANDS	9.250	11/00	[illegible]	[illegible]	[illegible]	9.24	8.95
AUSTRALIA	[illegible]	07/00	[illegible]	[illegible]	[illegible]	[illegible]	11.80
BELGIUM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] closing. [illegible] closing
[illegible] Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

DTB opts [illegible] to raise margins on contracts

By Katharine Campbell in Frankfurt

THE [illegible] Terminbörse, the German electronic derivatives exchange, will not raise margins on its contracts ahead of a possible war in the Gulf.

Unlike London's Liffe, which has announced hefty increases in margins from today, the DTB, which now trades a rival instrument to London's German government bond future, sees no reason to alter policy on protection against the adverse effects of sudden volatility swings. "Who can say that the Iraqi crisis is worth an extra 25 per cent on margins?" the DTB said.

Margins on the London bund will go up 25 per cent, much less than the 50 per cent prescribed for most other contracts.

Liffe and DTB had agreed informally not to compete against each other on the ability to offer lower margins and hence cheaper transaction costs; both exchanges see adequate downpayments as central to the security of their markets.

But the DTB yesterday denied that current policy differences had anything to do with competition. "Liffe did not tell us about their change, nor do we think the different margin requirements will have any [illegible] on turnover."

Tracy Corrigan adds: The [illegible], the French [illegible] exchange, is raising margins, citing "the [illegible] international [illegible] and the uncertainty facing financial markets." From today, the minimum margin on the [illegible] government bond contract will rise from [illegible]. The limit on the contract's daily movement is [illegible] to 300 basis points.

The minimum margin on the CAC-40 stock index futures contract has also been lifted from FFr30,000 to FFr35,000, [illegible] 100 basis points. The Matif underlined the temporary nature of the margin [illegible], which will [illegible] again once [illegible] tions [illegible]. However, it [illegible] right to make further changes.

Political pressure on Canada banks

By Bernard Simon in Toronto

CANADA'S banks, which are generally in far better financial shape than their US counterparts, are concerned at growing political pressures to relax their lending criteria as a means of helping customers through the recession.

A number of prominent politicians have recently called on the banks to play a more active role in softening the impact of what is turning out to be an unexpectedly steep decline in the domestic economy.

Ms Helen Sinclair, president of the Canadian Bankers Association, said the banks were increasingly under pressure to "give customers a [illegible] beyond what is appropriate".

The premier of Ontario, Mr Bob Rae, [illegible] urged [illegible] institutions [illegible] more sympathetic [illegible].

Mr Rae, who [illegible] only [illegible] provincial government, said that "where it makes sense to restructure, [illegible] where it makes sense [illegible] because [illegible] fundamentals [illegible] the business are sound, that's [illegible] people should be doing".

Earlier, a federal cabinet minister called on banks "to be a little more charitable and equitable" in dealing with troubled customers in the depressed Atlantic provinces.

Recent problems among Canadian deposit-taking institutions [illegible] far [illegible] largely confined to a handful of trust companies which are more heavily exposed than the banks to the ailing property market.

The Canadian banks have generally been more cautious than their US counterparts, partly as a result of [illegible] learned when they burnt their fingers in the energy crunch of the early [illegible] and partly [illegible] of tighter regulatory supervision since the collapse [illegible] several regional Canadian banks in 1985-86.

Ms Sinclair [illegible] that "through the 80s we passed up on a lot of the racier activity.

"There's a feeling that the adherence to sound banking principles has been seen to pay off".

Nonetheless, the deteriorating business climate has significantly pushed up loan losses and non-performing loans of the six leading banks in the past year.

National Bank of Canada, the smallest of the [illegible] and the one which has taken the hardest knocks in [illegible] months, posted a return on equity of only 2.4 per cent in the three months [illegible] October 31, [illegible] from [illegible] cent in the first quarter of fiscal 1990.

Bob Rae: urged sympathy to troubled debtors

New issues on hold as borrowers await more stable conditions

By Simon London

NEW ISSUE activity ground to a halt yesterday as syndicate managers advised the developing queue of borrowers to wait for the uncertainty surrounding the Gulf crisis to subside.

In the secondary market, some dealers reported trading of seasoned Eurodollar bonds as investors sought refuge in both liquid deals and the "safe haven" of the dollar.

If the atmosphere of tension and uncertainty is dispelled, a number of high-profile borrowers are expected to launch issues.

Substantial Ecu deals from the Belgian and UK governments are expected as soon as market [illegible] right. Supranational and agency borrowers are also waiting in the [illegible].

The Czechoslovak central bank, Statni Banka, is hoping to tap the Eurodollar bond market in a few weeks time, via Nomura International.

The issue is likely to total between \$200m and \$500m, depending on the amount of loans forthcoming from the international lending agencies.

The proceeds will be used mainly for foreign currency reserves. An option allowing bonds to be distributed in the US private placement market, through rule 144A, may be incorporated.

Other than the Gulf crisis, potential investors in eastern Europe have been unnerved by recent Soviet action in Lithuania.

INTERNATIONAL BONDS

There are fears that a deterioration in east-west relations could damage prospects for economic reconstruction in Czechoslovakia and other former Soviet bloc states.

The bank would not be the first Czech issuer to tap the international market since the revolution late in 1989.

Last year, Ceskoslovensko Obchodni Banka launched two D-Mark-denominated Eurobonds last year, one for DM250m via Commerzbank in July and a DM350m via Deutsche Bank in September. Both carried five-year maturities.

Other east European borrowers to have issued in the international bond market include the National Bank [illegible] Hungary, [illegible] issued heavily [illegible] D-Marks [illegible] five years.

The Hungarian [illegible] Development Institute [illegible] \$200m deal last August, lead-managed by Daiwa Europe.

If a deal can be done for Statni Banka, market participants do not [illegible] is to trade widely, with [illegible] the paper likely to be held until maturity by international bank buyers.

One syndicate manager said that Czech central bank paper might be compared with dollar issues by Mexico, although Czechoslovakia's foreign debt burden one of the lightest in east Europe.

● Republic of Austria yesterday launched Sch2bn of paper maturing February 1994.

The three-year, floating rate bonds pay 0.125 per cent below the three-month London interbank offered rate for Austrian schilling deposits.

The issue was lead-managed by Raiffeisen Zentralbank Osterreich in Austria with an international tranche managed by Morgan Stanley.

News Corp hit by fears over debt

By Kevin Brown in Sydney and Stephen Fidler in London

INVESTOR fears about News Corporation's US\$7.4bn debt restructuring continued to hit its shares yesterday.

News Corporation shares fell 68 cents to A\$4.30 on the Australian stock [illegible]. Shares in [illegible] International, Mr Murdoch's London-listed company, [illegible] unchanged [illegible] 102p. In afternoon trading in the US, [illegible] Corporation's American depositary receipts [illegible] fallen \$½ to \$6⅞.

News Corporation's leading bankers said yesterday the restructuring, which includes a new loan of US\$600m, continued to progress. Two European banks have said, however, they do not want to provide funds.

Most Australian sellers appeared to be small shareholders selling up to 5,000 shares. Analysts said investor fears were unlikely to be calmed until the company is able to announce the successful completion of its restructuring agreement. Its bankers hope this will be possible by the end of the month.

Fisons given top rating by Moody's

FISONS, [illegible] UK pharmaceuticals and [illegible] group, has [illegible] a top Prime-1 rating for [illegible] Eurocommercial paper programme from Moody's [illegible] Service, the [illegible] rating agency, [illegible] Simon London.

Fisons' existing commercial paper programme, set up under [illegible] Finance Netherlands, is being terminated, [illegible] will [illegible] by a new programme under [illegible] parent company name.

[illegible] expected [illegible] to "[illegible] a highly favourable long-term record of rising earnings and [illegible] flow". It [illegible] that Fisons is expected to "[illegible] conservative [illegible] policies [illegible] thereby [illegible] strong debt-protection measurements".

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The [illegible] Ltd 1990, Compiled by [illegible] Ltd in conjunction with the Institute of Actuaries [illegible] Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS ([illegible] in [illegible] show number [illegible] stocks per [illegible])	Monday [illegible] 14 1991 Index No.	Day's Change [illegible]	Est. Earnings Yield% (Max.)	[illegible] Div. Yield% (Act at [illegible])	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Jan 11 Index No.	[illegible] Jan 10 Index No.	Wed Jan 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (188)	[illegible]	-1.3	15.42	6.90	7.91	0.14	698.24	701.04	710.63	927.38
2	Building Materials (25)	[illegible]	-1.4	[illegible]	6.93	8.00	0.00	948.75	950.77	967.74	1145.19
3	Contracting, Construction (31)	1067.31	-1.2	17.24	7.37	7.54	0.00	1079.75	1080.79	1089.94	1563.74
4	Electricals (10)	1892.43	+0.2	14.86	7.05	8.23	0.00	1887.76	1894.24	1895.15	2632.99
5	Electronics (26)	1488.57	-0.7	10.75	5.78	12.40	0.00	1499.56	1515.32	1524.99	1963.37
6	Engineering-Aerospace (8)	382.38	-1.4	17.56	6.39	6.84	0.82	387.69	391.35	400.67	471.81
7	Engineering-General (47)	351.45	-1.1	16.62	7.30	7.26	0.16	355.30	356.41	361.69	492.48
8	Metals and Metal Forming (8)	392.39	-1.2	23.28	8.77	5.30	0.00	397.10	397.49	400.26	480.29
9	Motors (13)	274.80	-1.0	18.15	8.75	6.42	0.00	277.61	282.40	287.71	388.47
10	Other Industrial Materials (20)	1184.63	-2.1	14.23	6.85	8.12	0.00	1209.72	1208.52	1228.21	1714.40
21	CONSUMER GROUP (181)	1201.04	-1.3	10.18	4.34	12.19	1.52	1216.79	1212.76	1224.58	1313.69
22	Brewers and Distillers (22)	1556.60	-1.9	10.42	4.00	11.82	7.47	1586.44	1586.97	1604.57	1541.34
25	Food Manufacturing (20)	1022.38	-0.8	11.29	4.85	10.93	1.66	1031.05	1033.13	1042.98	1140.04
26	Food Retailing (16)	2275.26	-0.6	9.74	3.31	13.41	0.00	2288.01	2267.53	2286.32	2281.00
27	Health and Household (20)	2472.09	-1.2	7.27	3.10	16.30	0.30	2501.98	2476.16	2493.07	2652.28
29	Hotels and Leisure (22)	1151.22	-1.8	12.11	5.92	9.74	0.00	1172.65	1170.67	1185.95	1658.27
30	Media (25)	1190.15	-1.4	12.60	5.72	9.99	0.89	1206.44	1205.74	1221.78	0.00
31	Packaging & Paper (11)	500.58	-2.9	10.60	6.86	11.58	0.00	515.62	514.68	517.66	590.08
34	Stores (34)	781.69	-1.1	10.88	4.67	11.96	0.23	790.09	789.17	798.21	797.23
35	Textiles (11)	401.04	-1.3	14.36	8.76	8.93	0.00	406.51	407.67	407.75	535.30
40	OTHER GROUPS (111)	972.14	-1.1	13.27	6.15	9.10	1.48	982.88	989.51	998.24	1196.67
41	Business Services (12)	977.64	-1.6	12.81	5.51	9.29	0.00	993.35	995.32	1004.01	0.00
42	Chemicals (22)	1023.67	-0.9	13.79	6.92	8.56	0.17	1033.37	1031.10	1038.31	1247.90
43	Conglomerates (11)	1223.16	-1.5	14.12	8.33	8.41	0.11	1241.25	1235.49	1250.50	1676.60
44	Transport (15)	1818.43	-1.4	14.25	5.59	8.67	0.00	1844.75	1851.86	1879.24	2351.99
45	Electricity (12)	995.27	-0.2	12.39	7.07	9.74	0.00	997.08	998.69	1005.35	0.00
46	Telephone Networks (3)	1103.48	....	12.12	4.58	10.73	0.00	1103.93	1129.18	1137.80	1219.29
47	Water (10)	2138.32	-2.9	15.80	6.55	7.08	39.69	2201.09	2197.71	2200.60	1958.88
48	Miscellaneous (26)	1514.28	-1.8	12.59	6.04	9.24	0.17	1542.00	1554.66	1570.96	1940.96
49	INDUSTRIAL GROUP (480)	1004.78	-1.2	12.23	5.43	10.01	1.13	1017.33	1018.68	1029.15	1196.14
51	Oil & Gas (20)	2237.84	....	10.00	5.70	13.06	0.00	2236.58	2226.39	2239.25	2348.59
59	500 SHARE INDEX (500)	1106.19	-1.0	11.90	5.47	10.37	1.06	1117.86	1118.38	1129.14	1292.92
61	FINANCIAL GROUP (98)	676.17	-2.0	-	7.05	-	0.20	690.17	695.57	701.24	839.03
62	Banks (9)	705.38	-2.6	22.58	8.24	5.79	0.00	724.49	738.09	746.05	874.21
65	Insurance (Life) (7)	1242.10	-1.5	-	6.18	-	0.00	1260.96	1260.68	1266.60	1394.32
66	Insurance (Composite) (6)	589.36	-2.1	-	7.26	-	0.00	602.30	600.16	608.14	709.40
67	Insurance (Brokers) (8)	967.63	-2.1	7.61	6.66	17.22	0.00	988.43	982.44	988.06	1138.96
68	Merchant Banks (7)	333.26	-2.4	5.85	6.17	22.81	0.00	341.52	343.94	346.29	485.64
69	Property (41)	929.48	-0.9	7.34	5.08	18.49	0.23	938.00	943.31	942.72	1203.62
70	Other Financial (20)	239.67	-1.9	11.38	7.55	11.09	1.21	244.32	245.69	248.81	341.87
71	Investment Trusts (69)	955.35	-1.4	-	4.26	-	0.44	968.80	971.97	983.96	1258.31
99	ALL-SHARE INDEX (667)	1000.17	-1.2	-	5.66	-	0.85	1012.23	1013.81	1023.43	1184.17

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Year ago
FT-SE 100 SHARE INDEX‡	2080.8	-25.3	2102.4	2071.8	2106.1	2108.7	2128.9	2099.9	2113.3	2366.2

FIXED INTEREST

	PRICE INDICES	Mon Jan 14	Day's change %	Fri Jan 11	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	119.12	-0.21	119.49	2.06	0.12
2	5-15 years (32)	128.40	-0.62	129.20	2.74	0.00
3	Over 15 years (8)	134.83	-0.85	135.98	2.43	0.00
4	Irredeemables (6)	148.55	-0.90	149.89	1.80	0.00
5	All stocks (73)	127.63	-0.51	128.33	2.51	0.04
	Index-Linked					
6	Up to 5 years (2)	158.48	+0.21	158.15	0.85	0.00
7	Over 5 years (10)	144.03	....	144.03	0.64	0.23
8	All stocks (12)	145.00	+0.02	144.97	0.66	0.21
9	Debs & Loans (54)	104.44	+0.19	104.35	2.32	0.10

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 14	Fri Jan 11	Year ago (approx.)
	British Government				
1	Low	5 years	10.02	9.96	10.44
2	Coupons	15 years	10.11	10.00	10.06
3	(0%-7¾%)	25 years	10.18	[illegible]	9.95
4	Medium	5 years	10.92	[illegible]	11.61
5	Coupons	15 years	10.50	[illegible]	10.41
6	(8%-10¾%)	25 years	10.33	[illegible]	10.02
7	High	5 years	11.05	[illegible]	11.74
8	Coupons	15 years	10.68	[illegible]	10.59
9	(11%-)	25 years	10.48	[illegible]	10.13
10	Irredeemables		10.32	[illegible]	9.97
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.81	[illegible]	3.97
12	Inflation rate 5%	Over 5 yrs.	4.18	[illegible]	3.67
13	Inflation rate 10%	Up to 5 yrs.	2.56	[illegible]	3.13
14	Inflation rate 10%	Over 5 yrs.	4.01	[illegible]	3.51
15	Debs &	5 years	12.55	[illegible]	13.01
16	Loans	15 years	12.34	[illegible]	12.29
17		25 years	12.13	12.12	12.28

‡Opening index 2101.4; 9 am 2095.8; [illegible] am 2094.1; 11 am 2081.9; Noon 2080.0; 1 [illegible] 2 pm 2073.2; 2.30 pm 2073.5; 3 pm 2073.7; 4.10 pm 2081.3; (a) 8.41am (b) 2.14pm † Flat yield. Highs and lows record, base [illegible] and constituent changes are published in Saturday issues. A list of [illegible] is available from [illegible] Publishers, [illegible] Times, [illegible] One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE in[illegible] details of [illegible] used in the construction [illegible] indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	70	6
Corporations, Dominion and Foreign Bonds	0	7	14
Industrials	172	674	720
Financial and Properties	92	309	[illegible]
Oils	33	25	34
Plantations	1	[illegible]	9
Mines	64	[illegible]	78
Others	62	[illegible]	46
Totals	433	1,159	1,254

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	15	14	Chemex Intl. 5p	14	-	-	-	-	-
240	100	-	150	142	East Midlands Elect. 50p	145	-1	R15.84	1.7	13.8	5.1
240	100	-	144	134½	Eastern Elect. 50p	135½		R14.45	1.6	14.2	5.2
§100	F.P.	-	95	91	Eldos 10p	91		-	-	-	-
-	F.P.	-	2600	2550	Eurotunnel Fndr. Wrnts.	2600	+25	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

■ First Dealings Jan 7
■ Last Dealings Jan. 18
■ Last Declarations Apr. 11
■ For settlement Apr. 22

For rate indications see end of London Share Service

Calls: [illegible] Stocks Lels., [illegible] Walker, Conroy, Marley, [illegible] Premier, Standard Chartered, Tusker, Trimoco. Puts: Airtours, Cawte(T.), [illegible] Corp., [illegible]

LONDON TRADED OPTIONS

THE IMMINENT [illegible] in the Gulf [illegible] traded options market yesterday [illegible] hedge [illegible] any [illegible] decline in share prices. Equity futures were also actively traded but, for once, options attracted the most attention.

Turnover swelled in FT-SE [illegible] options as investors closed January positions almost two weeks early in case of any conflict in the Middle East.

The possibility of a stock market recovery later in the year also tempted some buying of longer-dated calls and [illegible] of longer-dated puts.

Among the more popular trades [illegible] were [illegible] of [illegible] rolling [illegible] option positions into [illegible], particularly the June [illegible] puts, [illegible] in the [illegible] direction, selling February 2,100 puts for January 2,[illegible].

The Euro FT-SE was busy with dealing boosted by Barclays de Zoete Wedd's [illegible] ary 2,075 puts and sale of [illegible] and 1,925 puts. [illegible] trade amounted to 1,200 lots.

The day's total 38,552-lot turnover was nearly double that of the previous session. In stock options, activity was lifted by an unexpected [illegible] in UK retail sales. Boots traded 1,953 contracts with the January 330 calls featuring, [illegible] 1,642 Kingfisher changed hands, particularly the January 360 [illegible].

Stock index futures were also [illegible] the [illegible] lower during the first half [illegible] the day. [illegible] margin req[illegible] in order to avoid wide fluctuations in the event of a Gulf war was welcomed by many dealers. The move was unlikely to discourage larger investors, although some of the smaller independent traders and private investors may be [illegible] said Mr Harvey Neale [illegible] UBS Phillips & Drew.

The March FT-SE 100 index [illegible] points [illegible] 2,115. March's premium to the cash index ended at 34 points, compared with brokers' 27-point estimate of fair value.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*475)	460	20	44	53	5½	16	25
	500	2½	22	33	29	37	45
	550	1	10	-	78	78	-
ASDA (*120)	110	11	17	21	1	5	7
	120	4	11	16	3	10	13
	130	1	6½	11	11	[illegible]	14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
[illegible] (*663)	[illegible]	20	[illegible]	60	[illegible]	27	33
	700	3	22	35	44	56	[illegible]
Ultramar (*319)	300	22	33	45	4	11	16
	330	4	17	28	16	24	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*[illegible])	[illegible]	[illegible]	7½	12	13½	5	6½
	70	3½	[illegible]	[illegible]	12	13	14
Barclays (*334)	[illegible]	22	28	36	[illegible]	23	30
	360	9	16	23	42	43	[illegible]
[illegible] (*200)	200	[illegible]	[illegible]	24	11	19	26
	220	6	11	16	25	32	35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO FT-SE INDEX [illegible]

FT-SE INDEX (*2081)

January 14 Total Contracts 38,552 Calls 13,367 Puts 25,185 FT-SE Index Calls 2,454 Puts 11,963 FT-SE Calls [illegible] Puts [illegible] *Underlying security price.

Philips helps new owner avoid recessionary trend in UK and US

Tomkins advances 34% to £31.2m

By Richard Gourlay

TAXABLE PROFITS at Tomkins, the mini-conglomerate with interests which lawnmowers, valves and handguns, increased [illegible] per cent from £23.34m to £31.19m in the six months to November 3, as its diversified businesses appear to have avoided the beginning of recession in the UK and the US.

The profit figure included a rise to £2.64m (£552,000) in interest earnings. Net cash jumped from zero [illegible] £40m, helped by strong cash generation from profits, tighter working capital control and a £13.5m windfall on currency gains that followed a [illegible] rights issue [illegible] finance August's $550m purchase of Philips Industries, the US industrial group.

The results included [illegible] than three months [illegible] Philips results, yet turnover leapt more than £100m to £390.75m.

Fully diluted earnings rose 8 per cent to 8.21p per share, and the interim dividend was lifted 17 per cent to 2.8p (2.4p).

Mr Gregory Hutchings, chief [illegible], said the results demonstrated the benefit of being broadly [illegible] when conditions were tough in some [illegible].

Two thirds of [illegible] [illegible] now in [illegible] [illegible] following the acquisition of Philips and [illegible] [illegible] purchase of Murray Ohio, the [illegible] lawnmower and bicycle [illegible].

Philips – involved in air conditioning, materials handling, making baths, mobile home windows and transportation, had sales of £95.66m and trading profits of £5.2m.

Until 1988, Philips featured highly in the Fortune 500 list [illegible] performing stocks, but [illegible] control of its working capital. The process of correcting this would provide Tomkins with a couple of years of good profits growth, Mr Ian Duncan, finance director, [illegible].

The balance [illegible] the Tomkins businesses produced trading profits up £1m at £21m, from [illegible] that rose £4.9m to [illegible].

Mr Hutchings [illegible] the increase in margins to 7.12 [illegible] per cent [illegible] the success of not seeking sales for their own sake and of keeping a close eye on creditworthiness of [illegible].

Within the pre-Philips figures Murray Ohio traded particularly well, benefiting from [illegible] who [illegible] trading down to the cheaper super-stores which [illegible] supplies.

The fluid controls division, which includes the supply of [illegible] [illegible] commercial and industrial markets, [illegible] [illegible] factory and profits had benefited from cost reductions.

The services to industry division faced difficult conditions in [illegible] [illegible] distribution market and in specialised motor component distribution.

See Lex

Alan Harper

Gregory Hutchings: successful strategy of keeping a close eye on the creditworthiness of customers

Allied-Lyons chiefs plan to retire during next year

By Philip Rawstorne

SIR DERRICK Holden-Brown, chairman of Allied-Lyons, the drinks and food group, and Mr Richard Martin, its chief executive, are to retire next year. The two men joined the company in the mid-1950s.

Sir Derrick, 67, who has been chairman for nine years and a [illegible] since 1967, is to be succeeded by Mr Michael Jackaman, 55, a group vice-chairman, in July 1992.

This March Mr Jackaman will relinquish his present position as chairman and chief executive of Hiram Walker-Allied Vintners, the wines and spirits division, to devote more time to group affairs.

Mr Martin, 58, [illegible] group vice-chairman [illegible] chief [illegible] for the past two years, is to retire from executive responsi[illegible] in October 1992. But in [illegible] meantime, he will also head [illegible] [illegible] operations.

Mr Martin's [illegible] [illegible] group chief executive has yet to be chosen. It is unlikely that Mr Jackaman will combine the [illegible] [illegible] chairman and [illegible] [illegible].

Two front-runners [illegible] the chief [illegible] [illegible] are Mr Cliff Hatch, 48, Canadian finance director, and Mr Tony Hales, 41, chief executive of the [illegible] Lyons food operations, who now also takes over the chairmanship of that division from Mr Martin.

Mr Jackaman joined Allied in [illegible] [illegible] [illegible] appointed chairman of Allied Vintners in 1983, and three years later with the £1.3bn acquisition of Hiram Walker became chairman [illegible] chief executive of Hiram Walker-Allied Vintners.

Great Portland [illegible] to capitalise interest [illegible]

GREAT PORTLAND Estates, [illegible] of [illegible] largest property [illegible] [illegible] development companies, yesterday announced that it would cease [illegible] capitalise [illegible] costs, writes Vanessa Houlder.

The move, which stems from the poor state of the letting market, has the [illegible] of reducing last year's profit before [illegible] by [illegible] per cent.

The change gives the company an unusually conservative accounting policy.

Until yesterday's decision, Land Securities, the largest UK property group, was virtually the only UK property company that did not capitalise interest charges.

Great Portland, which adopted the practice of capitalising interest three years ago, said that the policy was valid when confidence about lettings was high but [illegible] inappropri[illegible] in [illegible] current market.

Mr Richard Peskin, chairman and managing director of Great Portland, said: "I believe that in today's [illegible] climate [illegible] [illegible] imperative that [illegible]holders are provided with a clear and unfettered indication [illegible] the group's performance, and charging interest in full against the profits for the year helps to achieve that aim."

Great Portland stressed that the change would not affect its dividend policy, which remains based on net cash flow.

The company has restated its pre-tax profit as follows (figures calculated from former accounting policy in brackets): year to March 31 1989 £25.62m (£29.36m); year [illegible] March [illegible] 1990 £31.53m (£35.96m).

Bankruptcy threat hanging over Nadir

By Richard Waters and John Murray Brown

ASIL NADIR, chairman of Polly Peck International, faces the threat of bankruptcy today amid signs that he has so far failed to meet conditions laid down by his creditors a month ago.

Four stockbroking firms, owed over £50m by Mr Nadir, were promised an initial payment of a part of the amount before the bankruptcy petition against Mr Nadir goes back before the High Court this morning.

In addition, Mr Nadir had promised through his lawyers to give the brokers – Barclays de [illegible] Wedd, Lehman Brothers International, Merril Lynch and Carr Kitcat [illegible] Aitken – charges over his assets sufficient to meet the amounts still outstanding to them.

However, as of last night neither of these conditions had been met, and although there is still time before this morning's hearing, creditors were not optimistic.

They have held off making Mr Nadir bankrupt up till now for fear that this would leave them with no chance of recovering any of their money. One creditor said it still believed this was the [illegible] approach, although o[illegible] appeared less patient.

Meanwhile, [illegible] of Polly Peck are preparing to return to northern Cyprus to fight a new injunction aimed at blocking their entry to the group's subsidiaries on [illegible].

Mr Richard Stone, one of three administrators, warned that interruption to airline services due to the crisis in the Gulf could delay matters.

The administrators have been attempting to put their own appointees onto the board of Unipac, the Cypriot company through which the businesses on the island are owned, since last [illegible].

This is being obstructed by directors of Unipac, [illegible] whom, Mr Mentes Aziz and Mr Fahri Tunalier, last week gained an injunction blocking the move. The two were formerly directors of the intermediate holding company through which the northern Cypriot operations [illegible] owned, Voyager Ltd of the Isle of Man, before being ejected by the administrators.

Chloride pulls plug on battery side with disposal to Hawker

By Andrew Bolger

CHLORIDE GROUP, one of the worst performing shares of the eighties, yesterday announced plans to sell most of its formerly core battery business for £57m cash.

Mr Ray Horrocks, chairman, said that after a strategic review it had been decided to focus the slimmed-down group on its electronics business. Having disposed of all but a few of its battery operations, Chloride would be virtually debt-free.

Hawker Siddeley, the engineering group, has [illegible] to pay £43.5m cash for Chloride's industrial batteries division, which manufactures its products in Manchester and employs about 600 people.

The division makes [illegible] for telephone exchanges, computers and hospitals. It also supplies batteries for submarines, torpedoes, tanks and aircraft.

Mr Alan Watkins, chief executive of Hawker said: "The European market for industrial bat[illegible] offers [illegible] returns [illegible] prospects [illegible] growth in the longer term.

"The combination of the Chloride and Hawker industrial battery manufacturing activities, together with their complementary distribution networks in Europe, will help Hawker defend its competitive position in [illegible] UK against large continental manufacturers and promote Hawker's batteries operations as a market leader in the single European market."

Chloride has also agreed to sell its 76 per cent [illegible] in [illegible] Eastern Industries Ltd (CEIL) for £14m cash to Tech Trade (Singapore), in conjunction with a group of other investors.

CEIL, formed in 1987, brought together Chloride's interests in south-east Asia and the Indian sub-continent, its principal products being automotive and industrial batteries. An alliance was also formed with the India-based Birla family for its management.

Following these disposals, which are subject to shareholder approval, Chloride's new core activity will be electronics.

This business comprises the [illegible] and manufacture of products in three main areas: power electronics (mainly uninterruptible power supplies); power supplies (including military magnetics, power amplifier products); and emergency lighting.

Mr Horrocks said initial management action to cut [illegible], introduce new products and integrate acquisitions had brought electronics [illegible] significant profit for the first time last year. This improvement had been sustained in the first half [illegible] the current year, although the adverse economic climate was was affecting performance in the second half.

Chloride is currently unable to pay a dividend because of a lack of distributable reserves. Mr Horrocks said that following the disposals, there would be [illegible] capital reduction which would enable dividends to be paid out [illegible] future income.

In addition to the proposed [illegible] of its industrial batteries division, Chloride has sold Chloride [illegible], [illegible] small UK engineering subsidiary, to BCH Equipment, which has similar interests in the area.

Chloride shares rose 1p to 17p, giving the company a total market capitalisation of £40.5m.

See Lex

Bad debt problems [illegible] at London Electricity

By Clare Pearson

LONDON Electricity's bad debt problem, [illegible] in [illegible] [illegible] flotation prospectus, had [illegible] over the past [illegible] months, Mr Roger Urwin, managing director, said yesterday announcing the company's results for the six months to the end of September.

In the year to end-March 1990, bad debts cost the company between £5m and £6m. When the prospectus was drafted, it was feared that the financial impact could have been much greater after a rise, during the first five months, both in bad debts and the average number of days bills were left outstanding.

But Mr Urwin said the company was now expecting the full-year cost to be between £6m and £7m. More widespread installation [illegible] pre-payment meters was helping to ease customers' payment problems.

He was speaking as London announced interim historical [illegible] pre-tax profits of £23.4m, on turnover of £517.4m. Cur[illegible] [illegible] pre-tax profits were £1.1m.

On a pro forma basis, assuming the post-flotation capital structure had been in place for the full [illegible] months, the company would have reported historical post-tax profits of £1.6m and earnings per share 0.7p.

Mr Urwin said he was confident of meeting prospectus profit and dividend forecasts. A steady growth rate of about 2 per cent during the first nine months in sales by the core distribution business underpinned this confidence.

As expected, retailing had continued in loss so far during this year, the first in a planned [illegible] "recovery" programme.

Sale Tilney warns of rising losses

By Andrew Bolger

Shares in Sale Tilney yesterday closed [illegible] lower at 28p after the food, technology, insurance and financial ser[illegible] group warned that its interim pre-tax loss of £2.9m would increase significantly for the year as a whole.

The company said it would make additional one-off provisions in the 1990 accounts, principally ag[illegible] stocks and debtors in its [illegible] division.

There had also been exceptional costs associated with reviewing the group's finances and formalising its banking relationships.

Sale Tilney has now signed a facility with its key banks, led by National Westminster, that will run to November 30 1991.

The group said its underlying trading performance improved in the second half.

Continued on Page 31

Parkfield sale brings in £11m

By David Owen

THE ADMINISTRATORS [illegible] Parkfield Group have completed [illegible] disposal, selling the collapsed mini-conglomer[illegible] UK alloy wheels [illegible] to AAF Investment for £11m cash.

[illegible] deal comes some four months after [illegible] pressings and [illegible] division was sold [illegible] for £28m. [illegible] brings the sum raised [illegible] date from the disposal [illegible] Parkfield [illegible] to more than [illegible].

AAF said the acquisition was in line [illegible] becoming [illegible] in basic industries. According [illegible] Mr Hilton Schlosberg, deputy chairman, "a new dimension" would be added to the group as a result of the [illegible].

The company, which [illegible] per cent owned by [illegible] Africa-based FSI Group, has to [illegible] been principally involved in the [illegible] and modular building [illegible]. In [illegible] months to June 30 1990 it made [illegible] profits [illegible] £2.01m on turnover of [illegible].

[illegible] the £11m purchase, AAF is paying £4.5m for [illegible]ks and £6.5m for fixed [illegible] – [illegible] per [illegible] discount to asset value [illegible] of provisions and creditors.

In addition, AAF has an option – exercisable within three months – to buy Parkfield land and buildings at Cardiff for £2.2m. If the option is not taken, the group may be obliged to indemnify Parkfield for any shortfall from a third party sale "up to [illegible] maximum [illegible] £700,000."

The acquired business – to be renamed Wheels International – is among Europe's top five alloy wheel manufacturers supplying Jaguar, Rover, Ford and others.

Joint Parkfield administrator Mr Adrian Stanway, of Cork Gully, said that 30p in the pound was "not a bad working estimate" of the payout that the group's creditors would eventually receive.

He [illegible] that interest in [illegible] disposed-of wheel business had been "very very thin." Discussions were in p[illegible] with parties interested in Parkfield's castings operations and [illegible] Spanish wheel unit.

[illegible] Parkfield "[illegible] mountain", [illegible] said, [illegible] still being managed, leaving the administrators with about 7m tapes yet to dispose of.

Excalibur beats rights forecast with £2.1m

RATIONALISATION [illegible] helped Excalibur Group, [illegible] jewellery making and engineering company, [illegible] interim profit [illegible] made [illegible] rights [illegible] last [illegible] Urq[illegible].

Pre-tax profits for the half-year to end-October were £2.05m compared to [illegible] forecast of £2m and £1.7m in the comparable period.

Mr Richard Griffiths, [illegible] director, said the group [illegible] pleased [illegible] results and that [illegible] further [illegible]head savings to come, although trading conditions were tough. The shares held [illegible] price [illegible] the 1-for-2 rights issue was made.

Group [illegible] per cent [illegible]. Mr Stephen Fox, [illegible] director, [illegible] that the [illegible] had held [illegible] margins fairly steady, but operating profits rose by 37 per cent because of cost savings. The interest charge was £1.3m (£747,000), reflecting the need for the rights issue, holding the pre-tax increase to 21 [illegible].

A rise in the tax rate from 21.3 to 27 per cent dampened earnings per share growth to 12 per cent at 3.7p. As forecast with the rights, the interim dividend [illegible] up a third to 0.4p (0.3p).

During the half-year, the group moved [illegible] two London-based jewellery businesses to its Park Lane site in Birmingham, bringing significant cost savings.

[illegible] the group had won [illegible] orders, a £2m [illegible] year contract to supply spares for obsolete Ford models, and [illegible] year deal to make [illegible]ult, replacing the customers' in-house manufacturing.

Mr Griffiths said gearing at the year-end was likely to be about 20 to 30 per cent, and the company had positive cashflow.

● COMMENT

Excalibur's formula of buying assets cheap and sharply cutting overheads should stand it in good stead in the present tougher trading conditions. This, as well as the group's determination to win market share in what are often fragmented industries, should underpin profits growth for the next couple of years. The rights, and the higher tax rate, will hold back earnings per [illegible] in [illegible] short term. Even so, on a forecast of £5m pre-tax (£4m) and [illegible] 7.7p, [illegible] p/e of 5.8 looks mean, though the indigestion from the rights may take a while to clear.

£0.43m disappoints at Fletcher King

TAXABLE PROFITS at Fletcher King, the commercial property agent, fell from £1.31m to £433,000 in the six months to October 31.

However Mr [illegible] Fletcher, chairman, said that although the [illegible] were disappointing, he regarded them as [illegible] satisfactory in such difficult times.

He partly ascribed the company's ability to weather the [illegible] economic climate [illegible] its wide geographical spread and varied client b[illegible] t[illegible] rigorous cost control and minimal bad debts.

Mr Fletcher [illegible] singled out for praise Howards, the construction and project management and quantity surveying subsidiary acquired in [illegible]. It lifted turnover [illegible] cent and the number of its transactions by 31 per cent.

Group turnover dropped by just [illegible] to £3.77m and earnings were [illegible] 3.1p (9.7p) per share.

The interim [illegible] reduced from 4.3p to 1.8p.

Reg Vardy pegged back [illegible] interest charges bite

By Michiyo Nakamoto

FURTHER SIGNS of weakness in the UK car market came yesterday as Reg Vardy, the multi-franchise motor group, announced a fall in pre-tax profits of 9 per cent, from £2.32m to £2.1m, in the six months to October 30.

The decline came in spite of a 47 per cent rise in turnover from £63.8m to £93.69m reflecting two sizeable acquisitions.

Mr Peter Vardy, chairman, said the fall in pre-tax profits was partly distorted by a property sale in the previous first half. New car sales were disappointing, rising only 4 per cent to £3m.

Profit margins were hurt by higher interest charges, particularly on funding schemes with manufacturers, as new car sales dropped and stocks piled up, in turn raising interest costs – £851,000 against [illegible]. However, [illegible] of used cars were fairly [illegible] with [illegible] 39 per cent [illegible] £2.9m.

The company's presence in the north of England, and its concentration on the retail market, rather than the company fleet business, helped minimise the effects of the UK recession. "The private man has an inflation-protected salary and by-and-large a high amount of disposable income," Mr Vardy said.

Operating profit was static at £2.75m. Earnings per share slumped to 4.58p (6.16p) and the company declared an interim dividend of 1.2p.

The company was well-poised to benefit from a recovery in the economy with the two newly-acquired dealerships contributing more significantly to profits when refurbishments are completed, directors said.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Debenham Tewson & Chinnocks, Empire Stores, Gold Fields of SA, Howden, Lazard Select Inv Trust, [illegible] Holdings, Nobo, Norweb.

Finals- Babcock Prebon, Crown Communications, Eurotherm Intl, Hewitn, Kunick, London & Clydeside, Sherill, Trillion, Wheway.

FUTURE DATES

Interims-	
Barnato Exploration	Jan. 29
DAB Inv	Jan. 16
Free State Dev & Inv	Jan. 16
Johannesburg Cons Inv	Jan. 30
Finals-	
Elandsrand Gold Mining	Jan. 17
Microgen	Jan. 22

UK COMPANY NEWS

Having to work for bread instead of cake

Times are changing in corporate finance as bid activity falls. Maggie Urry reports

LONG GONE [illegible] the times when a number [illegible] large hostile takeovers [illegible] running at the same time, the days of multi-billion pound junk bond bids, with giants of *British industry being bought* and sold apparently at the whim of City financiers.

[illegible] *only hostile bid of any* size [illegible] present is the £40m [illegible] for Telfos, the locomotive and rolling stock group, launched last week.

"It's no longer [illegible] 8am to 10pm working day," [illegible] corporate finance practitioner, talking of the low level of activity in the [illegible] and deals industry.

This dearth of business mean sharp falls in [illegible] profits of merchant banks and, the gloomier corporate financiers predict, job losses in [illegible] industry and the wider [illegible] corporate [illegible] among lawyers, accountants and public rela[illegible] firms.

According [illegible] Takeover Panel the average number of completed bids [illegible] run at about [illegible] a year in the last [illegible] years. But in the first nine [illegible] the Panel's current year, which runs [illegible] the end [illegible] March, only [illegible] have [illegible] through. Even [illegible] that [illegible] continued, the [illegible] for the year looks [illegible] being barely [illegible] than half [illegible].

Many [illegible] and acquisi[illegible] specialists reckon that this [illegible] the quietest period for [illegible] since the recession [illegible] early [illegible]. The [illegible] market [illegible]. The entrepreneurs who [illegible] deals, [illegible] issuing highly priced paper to a receptive stockmarket, are in retreat.

Mr [illegible] Heley, corporate finance director at Hill Samuel, [illegible] that the [illegible] had the same feel as it did in the [illegible] period, [illegible] especially in 1981-82. Then, as now, stock market confidence was low, making share offers difficult, and companies' managements [illegible] more concerned with sorting out their own problems than bidding for someone else.

This time round there are some additional worries. The banks are much [illegible] about companies to which they have lent, and the Gulf crisis is reaching a climax as the UN deadline [illegible].

To add [illegible] the City corporate financiers' problems privatisation work *for the British gov*ernment, which has kept many merchant bankers busy in *recent years*, [illegible] *tailing off* [illegible] only the electricity generators and Scottish companies [illegible] to [illegible] sold, at least until after the next election. Flotations of other companies have dried up.

However, corporate finance experts claim they are [illegible] passing their time straightening paper clips or organising ski-ing holidays.

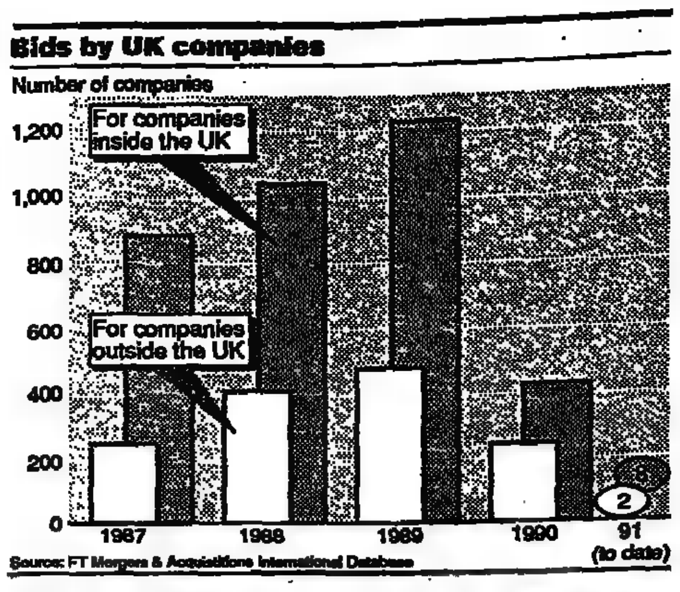
Mr Gerry Grimstone, director in Schroders' corporate [illegible] department, said that in spite [illegible] lack of public [illegible] and acquisitions (m and a) work, there [illegible] sufficient [illegible] keep people [illegible] at the office.

There [illegible] much private m [illegible] a work [illegible] do. Companies which [illegible] trying to cut high [illegible] levels often look [illegible] sell subsidiaries. [illegible] International's recent [illegible] its British Sugar business [illegible] one example.

However, [illegible] always [illegible] fruition, perhaps if the [illegible] a high enough price [illegible] achieved, meaning corporate [illegible] putting a lot of work [illegible] which [illegible] not [illegible].

Further, there are many [illegible] border *alliances* being forged. Continental [illegible] are more usually [illegible] on a friendly basis, requiring far more negotiation. [illegible] corporate financier put it "seduc[illegible] longer than rape".

In [illegible] the Wiggins Teape Appleton/Arjomari-Prioux [illegible] the French group [illegible] up with a 39 per cent stake in the combined company — all the work [illegible] announced. [illegible] too, [illegible] can [illegible] up doing a lot of [illegible] for nothing if a deal does not go through, and *it is likely to* remain confidential.



In a [illegible] takeover much of [illegible] arguing [illegible] on in public, [illegible] the initial announcement, so the work being done is more [illegible].

[illegible] business for the [illegible] banks [illegible] picked up [illegible] in advising [illegible] on refinancing or restructuring.

Brent Walker, the [illegible] company, has spent several [illegible] of intense negotiations with [illegible] organising [illegible] refinancing, and [illegible] is still more work to be done. Similarly, Isosceles, the company [illegible] a leveraged buy-out of the Gateway food retail [illegible] in 1989, completed a refinancing package just before Christmas.

As Mr Heley points out, companies [illegible] not need to be heavily borrowed [illegible] get in trouble with [illegible] lenders. Cash [illegible] problems abound meaning that companies can quickly [illegible] loan covenants, requiring negotiations. They turn first to their merchant banks [illegible].

Mr [illegible] McCarthy, of BZW Corporate Finance, said [illegible] merchant bankers were trying [illegible] be a lot [illegible] building financing [illegible] for companies, *although he expected some* ordinary rights [illegible] to appear. He added that [illegible] were plenty of companies [illegible] restructure their finances. Recently privatised groups, he suggested, all "[illegible] more or [illegible] inappropriate capital structures".

There are also plenty of [illegible] traipsing around eastern Europe trying to pick up [illegible] emerging economies. The main attraction at present [illegible] advising governments on privatisation, although [illegible] joint ventures being formed.

And [illegible] in the past [illegible] specialists used to twid[illegible] deals, now there is much more *emphasis* on marketing their services in the quieter periods.

Mr John MacArthur, chairman of MacArthur & Co, a small corporate finance house, [illegible] it up by saying "there is a lot of [illegible] about". However, he added that much of it was inquiries which may involve work but come to nothing.

While all these types of work can keep the corporate finance teams occupied, life is "certainly nothing like as busy or *profitable*," as *a corporate* finance director of a leading merchant bank admitted. It was the mega-deals which brought in the cream, [illegible] success fees. "Now we are working for bread not cake." Companies needing a rescue refinancing are not in a position to pay high fees.

The leading merchant banks deny that they will be announcing redundancies, but do say that natural wastage and hiring freezes are likely to mean a reduction in staff in coming months.

Also the quiet period is allowing some weeding out of staff to take place. Said one banker, "At the moment we are bound to look closely at the future potential of people. The fact is that when things are very active you do not have as much time to do that."

Another admitted that his firm was cutting staff, but said that they were [illegible] who would [illegible] been advised to find another career anyway.

Mr Heley argued that the leading corporate finance [illegible] had not over-expanded in the recent good times, although overheads have inevitably risen. The established houses should have no difficulty covering their costs from their base load of work, [illegible] they had good client lists, he said. There was always some demand from companies for advice [illegible] if [illegible] not doing mega-deals.

There is more concern for the smaller players, or those which have expanded rapidly recently, perhaps without hiring the experienced practitioners. These firms have been more dependent on picking up ad hoc business and living off success fees.

Mr MacArthur said that his firm, with only 10 staff, had low overheads and a good client list. But he warned that a number of other smaller organisations would be reducing or closing their corporate finance operations.

With no-one prepared to forecast when activity will pick up again, prospects for the corporate *finance industry* look dull if not bleak.

Acquisitions provide impetus as Ellis & Everard jumps 36%

By Jane Fuller

ACQUISITIONS helped Ellis & Everard, [illegible] in which ICI has a 26.5 per cent stake, to [illegible] pre-[illegible] profit by 36 per [illegible] in the [illegible] to October [illegible].

The improvement, from £7.8m to [illegible] on [illegible] (£143.2m). Pre-tax profit was [illegible] by a [illegible] net [illegible] payments to [illegible] (£700,000).

Mr Stephen Bentley, [illegible] director, said gearing fell [illegible] per [illegible] per [illegible] following a 1-for-3 rights [illegible].

[illegible] the [illegible] proceeds were used to make acquisitions, notably HVC [illegible] Kramer in the US. Mr Bentley said that [illegible], a UK company bought a year ago, the newcomers accounted for [illegible] all the profit [illegible].

[illegible] per [illegible] increased to 9.6p [illegible]. The interim dividend is [illegible] (2.2p).

● **COMMENT**

Although the interim figures were slightly [illegible] expected, the [illegible] the second half prompted small downward revisions of full-year forecasts. The good news from the first half was that the UK had seen organic sales growth [illegible] per [illegible] and margins had [illegible] improved by the [illegible] role of speciality chemicals, [illegible] as [illegible] swimming pool products. In the second half, a temporary [illegible] on acquisitive tendencies should enable the [illegible] to [illegible] on improving US margins, for example by reducing the dependence on bulk chlorine. Pre-tax profit is forecast to rise from £15.4m to [illegible], [illegible] share issues and a rising tax charge are expected to reduce earnings [illegible]. A prospective p/e of 9.7, on [illegible]terday's close of 167p, puts Ellis on a 5 per cent discount to the market. Because of its dependence on the ailing UK and US economies, it will be some time before it can recapture a premium rating.

Broad Street suspended as rescue talks proceed

By Maggie Urry

A RESCUE for Broad Street Group, [illegible] public [illegible] concern, was in prospect when it asked for its shares to be [illegible] while it pursued talks which could lead to a bid for the company.

Any offer would only be for "a nominal sum", Broad Street said.

The talks are with Groupe Boulet Dru Dupuy Petit, the [illegible] advertising [illegible], which already holds 38 per cent of Broad Street's [illegible].

The shares, which are quoted on the USM, [illegible] suspended [illegible] 6p, [illegible] the opening price of 7p.

BDDP first bought a 29.9 per cent stake in the company a year [illegible], paying 42½p per [illegible]. It increased its [illegible] when it [illegible] rights *issue last* summer at 18p.

When the rights was announced Broad Street [illegible] said there would be a [illegible]uring of the business, which had expanded through the acquisition of the Financial Dynamics and Lynne Franks agencies.

Since then trading conditions *have deteriorated further* and last month Broad Street announced a sharp fall, from *£1.4m to £297,000*, in interim pre-tax profits and passed the dividend.

Its [illegible] were [illegible].

Broad [illegible] founder, [illegible] Brian Basham, holds 6.7m [illegible].

Cantors improves 52% but warns on second half

By Richard Gourlay

CANTORS, the family controlled furniture [illegible], yesterday reported a 52 [illegible] £1.45m in pre-tax profits for the six [illegible] 27.

However, [illegible] a warning to the [illegible] expect a similar [illegible] in [illegible] half by maintaining [illegible] interim dividend [illegible] 1p in spite [illegible] in earnings per share from 4.53p [illegible].

"We [illegible] predominantly northern [illegible] and serving the blue [illegible] workers who [illegible] receiving 8-9 per cent pay [illegible] during the period." [illegible] Mr [illegible] Jeffrey, chief executive.

The market [illegible] become [illegible] uncertain during [illegible] second half and Cantors had spent £1.75m on [illegible] purchase [illegible] 22 [illegible] from [illegible] administrators [illegible] Queensway pushing the [illegible] into a net borrowing position, [illegible].

Late last year Cantors became embroiled in an alleged [illegible] Mr Stephen Cantor, a member [illegible] family which controls about 80 [illegible] the [illegible] Mr Cantor has [illegible] charged on four [illegible] fraud and [illegible] involving company [illegible] which [illegible] used as security [illegible] Den [illegible] Bank [illegible] Royal Trust Bank earlier [illegible].

The alleged fraud [illegible] spotted when the [illegible] presented [illegible] the company's registrars. The sample charges covered alleged fraud [illegible] £1.25m.

Mr Jeffrey [illegible] Mr Cantor had not [illegible] with [illegible] eight [illegible] and [illegible] the company [illegible] no [illegible] attempted fraud [illegible] banks.

[illegible] the half-year [illegible] totalled [illegible] up 9 per [illegible]. The acquisition of [illegible] Queensway shops lifts the number [illegible] Cantors' retail out[illegible] 105.

All-round growth as Dalepak rises 71%

By Andrew Bolger

DALEPAK FOODS yesterday reported a 71 [illegible] cent [illegible] to £1.2m in pre-tax profits for [illegible] six months to [illegible] 31. [illegible] by [illegible] cent [illegible] £21m.

[illegible] group [illegible] it had [illegible] excellent growth, with most of [illegible] contributing [illegible] improvement in spite of the [illegible] and the worsening trading conditions for frozen foods.

The board was confident that the annual results would show another year of substantial progress.

Earnings per share rose by 71 per cent to 6.99p and the interim dividend declared is raised by 15.9 per cent from 1.04p to 1.2p.

There was an extraordinary charge of £260,000 to cover the closure costs of Worsley, which made chilled cooked meats and pies.

London Share Service

THE International Stock Exchange has changed the meaning of its classification of shares into alpha, beta and gamma categories.

In place of the old classification bands, each listed company's stock has been allocated a "normal market size", based on experience of how many of its shares are traded in the typical deal.

The alpha, beta and gamma symbols will be retained in the London Share Service of the Financial Times to show the following:

- Alpha will refer to shares with a normal market size of 2,000 or more. These stocks will be traded by at least two marketmak[illegible] through the Stock Exchange [illegible] Quotation system [illegible].
- Beta will refer to all other shares.
- Gamma will refer to preference shares, debentures, warrants and other non-equity traded instruments.

Teredo Petroleum

Teredo Petroleum profits *before and after* [illegible] £120,000 [illegible] for the year to September 30. Turnover [illegible] *(£905,000)*. The company plans to consolidate [illegible] 10p [illegible] into *50p shares*.

DIVIDENDS ANNOUNCED

	Current payment	Date [illegible] payment	Corres-ponding dividend	[illegible]	Total [illegible]
Burndene Invs ....fin	5.5	-	[illegible]	[illegible]	8
[illegible] ....int	1	Apr 11	1	-	[illegible]
D Mell & Gen Tst......fin	83	[illegible] 22	75	110	100
Dalepak Foods ....int	1.2	Apr [illegible]	1.035	-	4
Ellis & Everard ....int	2.25†	[illegible] 14	2.2	-	7
Embassy Prop § ....int	nil	-	2	-	5
Excalibur ....int	0.4†	Apr 1	0.3	-	[illegible]
[illegible] King ....int	1.8	Mar [illegible]	4.3	-	[illegible]
Markheath Secs ....int	2†	Apr 2	2	-	6
Tomkins ....int	2.8†	Apr 11	2.7	-	9.25
Vardy (Reg) ....int	1.2	May 2	nil	-	2.4
Zetters ....int	1.75	Feb 27	[illegible]	-	[illegible]

Dividends [illegible] pence per share [illegible] where otherwise [illegible]. *Equivalent [illegible] allowing for [illegible]. †On capital [illegible] by rights [illegible] acquisition [illegible]. §USM [illegible].

Continued on Page 31

COMMODITIES AND AGRICULTURE

War would hit base metal demand

By Kenneth Gooding, Mining Correspondent

BASE METALS demand, already forecast [redacted] substantially because of deepening recession in many industrialised countries, would drop even more steeply if there was a lengthy war [redacted] the Gulf, analysts suggested yesterday.

But a short war could be relatively easily absorbed by the major industrialised countries because they have high oil stocks. Analysts said that [redacted] brief war might already have been discounted by the metals market.

A prolonged period of hostilities which caused a [redacted] rise in oil prices would, how[redacted], result in a marked slowing in [redacted] growth – and metal consumption responds disproportionately to a decline in industrial output.

An analysis by Billiton-Enthoven Metals, part [redacted] the Royal Dutch/Shell group, [redacted] that at the time of the first [redacted] supply [redacted] non-communist world consumption of the six metals traded on [redacted] London Metal Exchange dropped by between 14.4 per cent and [redacted] per cent in response to an 8.3 per cent [redacted] in OECD industrial production.

Metal Consumption in Oil-induced [redacted] (percentage change, peak [redacted] trough)

	[redacted]	1979-82
OECD [redacted] production	−8.3	−4.0
Consumption:		
Copper	−[redacted]	−8.8
Aluminium	−23.2	−10.3
Zinc	−27.0	−10.9
[redacted]	−14.4	−9.7
[redacted]	−20.4	−17.8
Tin	−18.8	−12.1

[redacted] Billiton-Enthoven Metals

Similarly, at the time of the [redacted] oil shock and its aftermath (1979-82) a 4 per cent fall in industrial production resulted in much greater slumps in [redacted] for the [redacted].

Mr Angus MacMillan, research [redacted] for Billiton-Enthoven, [redacted] "During [redacted] periods [redacted] producers [redacted] varying degrees slow to respond by reducing production [redacted] order [redacted] bring it [redacted] line with the lower [redacted] of [redacted]. As [redacted] result, stocks accumulated and, as they did [redacted] prices [redacted] – in [redacted] cases substantially.

"In the case of the second oil shock, [redacted] build-up in [redacted] resulted in a prolonged period [redacted] real prices. In [redacted] the [redacted] marginal production capacity quickly enough resulted [redacted] prices falling more steeply [redacted] remaining [redacted] longer than [redacted] if they had responded in [redacted] timely way."

While past history provides [redacted] example [redacted] might happen if there was [redacted] long [redacted] in the Gulf, Mr MacMillan [redacted] Billiton-Enthoven does not expect oil prices [redacted] stay high in [redacted] or nominal [redacted] for a number [redacted], as they [redacted] following the 1974 [redacted] price rises. So no re-run of the previous [redacted] the cards, he [redacted].

Mr [redacted] "We do [redacted] expect an [redacted] period of [redacted] prices [redacted] as we [redacted] in the mid-[redacted] 1991 is looking increasingly [redacted]."

This bearish [redacted] of [redacted] prospects for base metals [redacted] confirmed by Mr Euan Worthington, head of the mining team at the [redacted] Warburg Securities financial services [redacted]. He [redacted] that [redacted] international capital squeeze [redacted] continuing high real inter[redacted] dampen world economic growth for [redacted] than [redacted] forecasters [redacted] been predicting.

[redacted] Warburg now expects [redacted] industrial production to [redacted] by only 1.2 per cent this year and [redacted] per cent in 1992 compared with its autumn [redacted] 2.1 per [redacted] and 2.5 per cent. The oil price is forecast to average [redacted] a barrel in both years.

Mr Worthington [redacted] burg's [redacted] there [redacted] a peaceful [redacted] to [redacted] or [redacted] local war of limited duration.

"A prolonged conflict [redacted] the [redacted] price, reduce [redacted] economic growth [redacted]."

Australian offshore oil exploration to stay high

By Kevin Brown in Sydney

AUSTRALIAN offshore oil exploration is likely to remain high this year, but may not reach the record level achieved in 1990, the Australian Petroleum Exploration [redacted] said yesterday.

Mr Keith Orchison, [redacted] director, [redacted] 62 offshore exploration wells were expected to be drilled this year, at a cost of between A$330m and A$457m. Oil companies [redacted] last year to drill [redacted] wells.

An APEA survey of the 60 oil companies operating in Australia also showed that the level of [redacted] exploration activity – was likely to increase from around [redacted] last year to [redacted] and [redacted] lines.

However Mr Orchison said exploration activity would [redacted] the industry on course to achieve the [redacted] target of identifying [redacted] of new oil reserves during the 1990s.

Most of the proposed offshore exploration will take place off the coast of north-western Australia, where several medium-sized fields have been discovered in recent years.

Other major exploration areas will be the Arafura Sea, off the Northern Territory coast, and in waters around Tasmania. Exploration in the Timor Sea is expected to [redacted] by 1993 following the ratification by the Indonesian Parliament of a treaty fixing the border with Australia.

Around 60 oil companies operate in Australia, producing an average of 570,000 barrels per day, of which around 515,000 is produced [redacted].

Onshore activity has declined in recent years because of the costs of exploration and production in remote areas. However the association expects oil companies to spend between A$118m and A$170m on onshore exploration this year, mostly in South Australia and Queensland.

Mr Orchison said Australian companies planned to spend A$535m on exploration and development overseas, including [redacted] in Papua New Guinea, where Australian companies have been prominent in the development of fields such as Kutubu.

The association expects crude oil prices to reach US$50 a barrel if war breaks out in the Middle East, but says the most likely scenario is that the price would fall below US$20 by the end of the year.

Such a fluctuation in prices would have little short-term effect on exploration plans, it said.

Turkish steel mill agrees coking coal supply with US, Australia

By Gerard McCloskey

THE TURKISH steel mill TDCI has signed with its US and Australian coking coal suppliers for 1991, the first mill to do so in the European Region. The settlement, which took place at the end of last week and over the weekend, comes when dropping steel production is forecast. Nonetheless the Turkish mill settled for what are virtually roll-over prices or, so the [redacted] exporters are claiming, something rather better.

These roll-over prices contrast with the US$1 a tonne drop in prices agreed in Tokyo last month by Nippon Steel and the world's biggest coking coal exporter, BHP-Utah of Australia. In consequence the coking coal producers are now hoping that, at worst, they will be able [redacted] price [redacted] when the big European steel mills enter into negotiations over the next few weeks.

The new prices into Turkey are, for the US suppliers, [redacted] fob and for the Australians just over [redacted] from Queensland. The contracts in total amount to 2.6m tonnes, with half going to the Australian supplier Curragh, BHP-Utah and BHP Minerals. The US's largest producer, Pittson, shares the US supplies, along with coal traders Philipp Brothers and Thyssen.

The Australian awards mark a clear [redacted] by TDCI away from sourcing all its coal in the US. In previous years trading companies rather than coal producers have dominated the Turkish mills' business.

Since, alone among the world's major mills, TDCI works through a tendering system this combination has inevitably led to traders bidding prices without first sourcing coal supplies. The sad result of this has been, on occasion, coal being delivered which had no coking properties.

That Pittson should be content with [redacted] is remarkable [redacted] it, along with other US producers, is in Japan trying to avoid the US$1 price cut accepted by all the [redacted] and, subsequently, by the Canadians. Alone among these Pittson has a contract with the Japanese mills which is, [redacted] US$55.70, well above the market level. Many of the Australian producers have been angered by BHP's settlement, which has cut US$1 a tonne off the price not only of hard coking coal but also the other qualities purchased by the mills, soft and semi-soft coking coals.

This latter quality, which comes from mines that also supply steam coal to the Japanese power companies, is currently in considerable oversupply from Australia. BHP believes its [redacted] settlement has underpinned all Australian prices.

In reality the US$1 a tonne cut reflects the eagerness of all the producers to settle before any explosion in the Gulf, which has the potential of destabilising many raw material markets. However, unlike Europe, where steel production is not currently growing, the [redacted] market [redacted]. Japanese production [redacted] expected [redacted] 110m tonnes this financial year and while a drop is expected next year it will not be to the sub-100m tonnes level seen in the mid-1980s.

Soviet turmoil [redacted] Gulf fears [redacted] gold [redacted]

By Kenneth Gooding

GOLD PRICES responded yesterday [redacted] Gulf [redacted] and weekend bloodshed in Lithuania but still [redacted] not [redacted] through the psychologically important barrier [redacted] a troy ounce.

The price [redacted] $398.60 [redacted] the London afternoon fixing session, the highest "fix" since [redacted] 1 [redacted] year.

It [redacted] slightly in later trading, however, [redacted] day in London at $398.25 an [redacted] by [redacted] from Friday's close.

[redacted] were disappointed [redacted] muted [redacted] turmoil in the Gulf and the [redacted] Union.

[redacted] Zurich dealer [redacted] up [redacted] widespread feeling in [redacted] when she [redacted] "I [redacted] gold has lost some of its speculative shine, but if it can't gain more than four dollars as we head into [redacted] could [redacted] major [redacted] there [redacted] seem much hope."

Traders said the gold price nervously approached $400 an ounce yesterday afternoon but volume was thin and selling by producers [redacted] the price in check.

Analysts suggested that technically [redacted] $410-$420 [redacted] that [redacted] performance [redacted] that depended on [redacted] the Gulf, [redacted] of the US [redacted] of world real interest rates.

[redacted] survey of [redacted] world's leading mining and [redacted] analysts by Mining Journal [redacted] showed that nearly all of them expected the gold price to rise in the event of a war but not to [redacted] level or even the $500 [redacted] in [redacted] price predicted was $430 an [redacted], although the forecasts ranged [redacted] $405 to $480.

[redacted] of 10 [redacted] the analysts who were surveyed [redacted] the gold price [redacted] once the war [redacted] over, but half of them suggested it would [redacted] an ounce.

However, 68 per cent of the analysts said that a peaceful settlement in the Gulf would see gold fall to an average of $365.

Claims dispute may delay C[redacted]nadian mine

By Robert Gibbens in Montreal

PRODUCTION FROM [redacted] Eskay Creek gold-silver property in north-western [redacted] Columbia could be [redacted] seriously because of claims disputes.

Mr Jack Davis, the province's mines minister, has brought [redacted] by saying he will [redacted] a min[redacted] until challenges to key claims making up the property are finally determined.

Eskay Creek's owners, the Corona group and Placer Dome, want to get the property into production by late 1993 or early 1994 in a construction programme costing nearly C$200m (£90m). Drilling continues and an access road should be ready by the end of the year, but construction cannot begin until the mining lease has been granted.

[redacted] property is [redacted] in mountainous terrain north of Stewart. It [redacted] recognised [redacted] Canada's [redacted] important [redacted] find since the Hemlo deposits were uncovered in northern Ontario early in the 1980s and has focused [redacted] on north-[redacted] British Columbia's [redacted] mineral potential.

A dozen or so companies explored [redacted] property between the early 1930s and 1988-89, when its real potential became apparent with the spectacular success of drillhole number 109. Geological reserves are now estimated at 4.36m tonnes containing 0.77 ounces of gold and 29.12 ounces of silver per tonne, mostly in the 21B zone where the ore also contains zinc, lead and copper.

Hole 109 created a frenzy on the Vancouver stock exchange, grading an average 0.87 ounces [redacted] and 0.97 ounces [redacted] silver per tonne plus high lead [redacted] values.

[redacted] Placer, [redacted] largest [redacted] producer, fought Corona, a Hemlo producer, [redacted] control of Eskay Creek. This ended in Placer getting an indi[redacted] per [redacted] ownership in the property and [redacted] associates the balance. Corona is managing development.

The 21B deposit is located on four separate claims held by the controlling group but surrounded by a single claim owned by Adrian Resources, a small exploration firm. But all five claims have been overstaked by many other companies, leading to potential challenges to ownership.

The disputes have moved from the Vancouver Gold Commissioner's office to the British Columbia Supreme Court and theoretically [redacted] go as far as the Supreme Court of Canada.

Analysts estimate Eskay [redacted] could produce 350,000 ounces of gold and 12.5m ounces of silver annually contained in concentrates. C[redacted] costs would [redacted] US$200 per ounce of gold.

The claims disputes are more serious for Corona, the smaller company which has already invested about C$200m in the Eskay Creek region. Placer, which put out C$106m for its interest in the property, is a larger company and cash rich.

The government may fear potential liability if the claims disputes are not settled quickly. But the mining lease delay is being watched closely by dozens of mining companies with interests in the Eskay Creek region.

Reliance on Soviets worries India

By Kunal Bose in Calcutta

[redacted] IS increasingly [redacted] by [redacted] overdependence [redacted] Union as a destination for [redacted] exports. [redacted] a virtually stagnant domestic market, [redacted] must [redacted] the major part of its production and nearly half of the [redacted] sell oversees [redacted] likely [redacted] go to the Soviets.

About 50 other countries buy Indian coffee, but only in small quantities.

The [redacted] repeatedly pointed [redacted] "danger [redacted] overdependence on a single buyer", but the [redacted] Board [redacted] private exporters have yet to evolve a marketing strategy to boost the country's coffee sales, particularly in [redacted] US, western Europe and Japan.

There [redacted] no doubt [redacted] India's export performance would [redacted] been [redacted] in [redacted] earnings and market spread had [redacted] industry paid more [redacted] value-adding and [redacted] packaging.

The [redacted] and development shortcomings of the industry could be taken care of [redacted] a large extent, [redacted], once [redacted] government-sponsored Institute of Coffee Technology begins operating.

But the Indian coffee econ[redacted] will [redacted] structurally [redacted] until [redacted] time as [redacted] is [redacted] healthy growth in [redacted] for the beverage. Between [redacted] and [redacted] demand increased by less than 10,000 tonnes to about 60,000 tonnes.

[redacted] that the production of [redacted] and [redacted] coffee will have to be stepped up if domestic consumption is to be given [redacted] boost. In the meantime [redacted] Indian [redacted] production [redacted] for [redacted] scaled down from 220,000 tonnes [redacted] 175,000 [redacted] following damage to [redacted] buds because of dry weather at blossoming time.

[redacted] then [redacted] production [redacted] substantially higher than the 130,000 tonnes of 1989-90. The Indian coffee crop is notorious for its wide fluctuation. In [redacted] production totalled [redacted],000 [redacted].

In the first [redacted] months (April [redacted] August) of [redacted] current coffee year India's exports totalled 43,285 tonnes. [redacted] year's [redacted] was a record 130,172 tonnes, made possible by a substantial [redacted] from the previous season.

Ottawa sets up farm insurance package

By Robert Gibbens in Montreal

THE Canadian federal government has put together a permanent farm income insurance programme, aimed partly at bringing stability to the Prairie economies. Funding is shared between Ottawa, the provinces and producers.

[redacted] is [redacted] designed to ensure that governments do not have repeat the emergency rescue plans [redacted] have cost millions of [redacted] the [redacted].

Farmers will enrol in a subsidised insurance plan that pays out when prices and farm incomes fall.

The programme [redacted] due to come [redacted] operation in time for this spring's [redacted]. It comprises [redacted] growth revenue insurance plan, operating like crop insurance, [redacted] net income stabilisation or [redacted] trust fund to stabilise income in down swings.

The programme will apply to crops covered by the western grain stabilisation programmes, such as wheat and barley, [redacted] in eastern Canada also [redacted] maize, soyabeans and several other crops.

[redacted] government support programmes may be cut and the Western Grain Stabilisation Fund could be phased [redacted].

Many [redacted] groups cautiously [redacted] the programme, though one western wheat lobby said ad [redacted] bail-outs would still be [redacted] to [redacted] disasters and other [redacted].

WORLD COMMODITIES PRICES

MARKET REPORT

GULF [redacted] to weigh [redacted] prices on the London [redacted] Exchange yesterday, although movements [redacted] not of any great size. [redacted] had already been partly [redacted] but the growing inevitability of war and uncertainty [redacted] long [redacted] would [redacted] were adding to pressure on most [redacted]. Copper led [redacted] field with [redacted] £19 fall in the [redacted] position to £1,291.50 [redacted], apparently ignoring [redacted] that [redacted] twice-postponed [redacted] Southern Peru Copper Corporation [redacted] now scheduled [redacted] begin today. [redacted] zinc [redacted] $35 [redacted] at $1,244.50 [redacted] tonne, encouraged by news that workers at Noranda's [redacted] mine in [redacted] Brunswick [redacted] labour agreement [redacted] working without [redacted] since November 14. With lead, [redacted] prices registering very [redacted] losses, [redacted] only LME [redacted] to defy [redacted] aluminium, [redacted] up for cash at $1,531 a tonne. Aluminium is produced in the [redacted], though [redacted] a relatively minor scale, [redacted] could threaten [redacted] expansion plans in the region. Freight futures, in [redacted] encouraged gains recently, [redacted] trimmed [redacted] a little.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$24.20-4.40z	+2.82
Brent Blend (dated)	$29.55-9.65	+3.45
Brent Blend (March)	$28.40-8.60	+3.10
W.T.I. (1 pm est)	$29.60-9.70z	+2.90
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$310-312	+30½
Gas Oil	$311-315	+43½
Heavy Fuel Oil	[redacted]	[redacted]
Naphtha	[redacted]	[redacted]
[redacted]		
Other		**+ or -**
[redacted]	[redacted]	+7.10
[redacted] (per [redacted])	[redacted]	+4.40
Platinum (per troy oz)	[redacted]	+1.50
Palladium (per troy oz)	[redacted]	[redacted]
Aluminium (free [redacted])	$1515	-30
[redacted]	118¾c	-¼
[redacted] (US Producer)	50c	
Nickel [redacted]	408c	-1
Tin (Kuala Lumpur [redacted])	[redacted]	+0.02
Tin (New York)	260c	[redacted]
Zinc (US Prime Western)	70c	
[redacted]	[redacted]	+1.58*
[redacted] weight)†	[redacted]	-1.75*
[redacted]	76.82p	-0.21*
[redacted] daily [redacted]	[redacted]	+2.6
London daily sugar (white)	$295.8z	+3.3
Tate and Lyle export price	£226.5	+2.5
Barley (English feed)	£120t	
Maize (US [redacted])	[redacted]	
Wheat (US Dark Northern)	[redacted]	
Rubber (Feb)♥	51.25p	
Rubber (Mar)♥	51.50p	
Rubber (KL RSS No 1 Feb)	235.5m	
Coconut oil (Philippines)§	[redacted]	+2.5
Palm Oil (Malaysian)§	$302.5	
Copra (Philippines)§	[redacted]	
Soyabeans (US)	[redacted]	
[redacted] "A" [redacted]	83.30c	+0.45

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. z-Jan/Feb. x-Mar. †Meat Commission [redacted] livestock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

[redacted]	Close	[redacted]	High/Low	
Mar	199.60	201.80	201.80	[redacted]
May	202.00	205.00	[redacted]	[redacted]
Aug	[redacted]	[redacted]	[redacted]	[redacted]
Oct	208.60	210.80	209.60	[redacted]
Mar	210.20	212.00	[redacted]	
[redacted]	212.20	[redacted]	[redacted]	
[redacted]	Close	[redacted]	[redacted]	
[redacted]	[redacted]	294.3	293.2	291.0
May	291.5	292.5	292.0	289.5
Aug	300.5	301.5	300.0	298.0
Oct	276.0	276.5	275.5	274.0
[redacted]	272.0		271.0	
[redacted]	[redacted]	274.5	[redacted]	
[redacted]	[redacted]		[redacted]	[redacted]

Turnover: Raw 854 [redacted] lots of [redacted] tonnes. White 730 (788). Paris- [redacted] (FFr per [redacted] 1526, Aug 1538, Oct 1483.

CRUDE [redacted] – IPE ($/barrel)

	[redacted]	[redacted]	High/Low	
Feb	29.80	[redacted]	[redacted]	[redacted]
Mar	28.80	[redacted]	30.50	[redacted]
Apr	[redacted]	[redacted]	[redacted]	[redacted]
May	26.50	23.00	[redacted]	[redacted]
[redacted]	25.82	26.50	26.50	[redacted]

Turnover 14440 (24698)

GAS OIL – IPE ($/tonne)

	Latest	[redacted]	High/Low	
Feb	265.75	246.75	314.00	270.00
Mar	265.00	233.75	287.00	258.00
[redacted]	248.00	[redacted]	[redacted]	242.50
May	240.00	212.50	251.00	237.50
Jun	235.50	208.50	250.00	235.00
Jul	230.00	207.75	242.00	

Turnover 24589 (11827) lots of 100 tonnes

TEA

A STRONG demand prevailed, reports the Tea Brokers' Association. Assams continued to meet keen competition at fully firm to dearer rates with more support than of late for plainer types. Best liquoring Africans were a strong feature and advanced while mediums were irregular but at times easier to dearer, with more enquiry [redacted] Ceylons came in for better demand and prices, where changed, [redacted] at firm to dearer rates. [redacted] 230p nominal (last week 220p), medium 153p (135p), low [redacted] 86p [redacted].

COCOA – London FOX ([redacted])

	[redacted]	[redacted]	High/Low	
Mar	661	660	664	675
[redacted]	714	713	717	[redacted]
Jul	744	742	[redacted]	[redacted]
[redacted]	772	[redacted]	[redacted]	765
Dec	[redacted]	797	800	[redacted]
Mar	[redacted]	[redacted]	819	
May	[redacted]	[redacted]		

Turnover: [redacted] lots of 10 tonnes. ICCO [redacted] for Jan 11 [redacted] for Jan 14 872.93 (871.22)

COFFEE – London [redacted] ($/tonne)

	[redacted]	[redacted]	[redacted]	
Jan	550	556	[redacted]	
Mar	575	583	[redacted]	
May	582	587	[redacted]	
Jul	595	601	605	591
[redacted]	606	611	[redacted]	
[redacted]	625	635	632	625

Turnover: 3124 (4537) lots of 5 tonnes. ICO indicator prices (US [redacted] per pound) for [redacted] 11: Comp. daily 70.25 (71.86). 15 day average 71.48 (71.48).

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	120.5	123.5	122.9	120.0
[redacted]	[redacted]	[redacted]	[redacted]	

Turnover 273 (328) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low	
Feb	[redacted]	112.00	110.00	
[redacted]	112.10	114.50	[redacted]	
[redacted]	112.10	116.50	[redacted]	

Turnover 336 (220) lots of [redacted] tonnes.

FREIGHT – London FOX ([redacted])

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	[redacted]	
Feb	1460	1476	1460	1460
Apr	1351	1355	[redacted]	
Jul	[redacted]	[redacted]	[redacted]	
BFI	1440	1432	1440	

Turnover [redacted]

GRAINS – London FOX

Wheat	Close	[redacted]	High/Low	
Jan	118.15			
Mar	[redacted]	[redacted]	121.15	120.65
[redacted]	[redacted]	[redacted]		
[redacted]	[redacted]	108.80		
Barley	Close	[redacted]		
Jan	[redacted]	114.40		
Mar	114.10	114.60		

Turnover: Wheat 283 (349). Barley 6 (210). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Feb	94.8	95.0	94.6	94.2
Apr	93.2		93.2	
Jun	98.5		98.5	

Turnover: 26 (16) lots of 3,250 kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb [redacted]	Open [redacted]
Aluminium, 99.7% purity ($ per tonne)					Total daily [redacted]	
Cash	1530-2	1523-4		1511-2		
3 months	1564-5	1554-5	1570/1551	1545-5	1561-2	[redacted]
Copper, Grade A (£ per tonne)						
Cash	1291-2	1310-1		[redacted]		
3 months	1321-2	1340-1		[redacted]	1330-1	[redacted]
Lead (£ per tonne)						
Cash	316-7	316.5-7.5	[redacted]	324-5		
3 months	330.5-1	330.5-0.75	[redacted]	[redacted]		11,121 lots
Nickel ($ per tonne)					Total daily turnover 1,586 lots	
Cash	8600-25	8600-25	[redacted]	[redacted]		
3 months	8760-5	8775-8800	8800/8750	8775-800	8780-[redacted]	[redacted] lots
Tin ($ per tonne)						
Cash	5635-40	5645-55				
3 months	[redacted]	5750-55	[redacted]	5740-50	5740-50	[redacted] lots
Zinc, Special High Grade ($ per tonne)						
Cash	1224-5	1259-60	1250/1225	1247-8		
3 months	1227-8	1259-61	1260/1220	1250-2	[redacted]	17,661

LME Closing £/$ rate: SPOT: 1.9665 | 3 months: 1.9776 | 6 months: 1.9525 | 9 months: 1.9339

LONDON BULLION MARKET

[redacted] supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	398.00-398.50	
Opening	398.20-398.50	
Morning fix	[redacted]	
Afternoon fix	[redacted]	
Day's High	[redacted]	
Day's low	[redacted]	

[redacted] Lending Rates [redacted]

1 month		6.00	[redacted] months	5.47
2 months		[redacted]	[redacted]	5.25
3 months		5.64		

Silver fix	p/fine oz	US cts equiv
Spot	220.30	419.50
3 months	[redacted]	427.95
6 months	[redacted]	434.60
12 months	248.00	449.70

TRADED OPTIONS

Coffee	[redacted]		Mar	[redacted]
[redacted]	[redacted]	10	20	35
[redacted]	[redacted]	18	28	27
Cocoa	[redacted]			
[redacted]	[redacted]	44	17	14
[redacted]	[redacted]	18	49	35
750	[redacted]	6	28	76

Brent Crude	[redacted]	Apr	[redacted]	Apr
2850		480	500	540
2900		459		

[redacted] – London FOX

	Close	[redacted]	[redacted]	Low	Vol
Index	157.00	[redacted]	157.00		
Feb	158.80	160.50	159.20	158.80	10
Mar	158.80	161.50	159.50	158.40	50
Jun	[redacted]	160.50	[redacted]		
Sep	[redacted]	162.70	[redacted]		133
Oct	[redacted]	[redacted]	157.50		15

CRUDE OIL (Light) 42,000 US galls $/barrel

	[redacted]	[redacted]	High/Low	
[redacted]	31.35	[redacted]	[redacted]	30.30
[redacted]	[redacted]	28.24	30.25	29.10
[redacted]	[redacted]	[redacted]	28.74	28.74
May	[redacted]	[redacted]	0	0
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	25.08	[redacted]	25.08	25.08
Jul	24.41	22.91	[redacted]	24.41
[redacted]	23.86	[redacted]	23.86	23.86
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

HEATING OIL 42,000 US galls, [redacted] galls

	[redacted]	[redacted]	High/Low	
[redacted]	8010	7720	8200	8780
[redacted]	[redacted]	7350	8700	8310
[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	6210	0	
[redacted]	[redacted]	6085	0	

[redacted]

	[redacted]	[redacted]	High/Low	
[redacted]	1210	[redacted]	1252	1181
[redacted]	[redacted]	[redacted]	1261	1221
[redacted]	1269	1276	1290	1265
Jul	1324	1310	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	1360
[redacted]	1409	[redacted]	1398	1390

New York

GOLD 100 troy oz; $/troy oz.

	[redacted]	Previous	High/Low	
Jan	400.1	[redacted]	398.3	399.0
Feb	401.6	[redacted]	396.5	396.5
Mar	403.0	394.7	404.0	403.0
Apr	404.6	398.6	404.0	403.0
Jun	408.6	400.0	410.0	405.5
Aug	[redacted]	[redacted]	410.0	410.1
[redacted]	[redacted]	[redacted]	412.0	415.5
[redacted]	[redacted]	[redacted]	428.0	415.0
[redacted]	[redacted]	414.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	[redacted]	[redacted]	High/Low	
Jan	417.7	418.6	421.5	418.5
Apr	421.7	422.6	425.5	420.5
Jul	425.2	425.6	429.0	425.0
Oct	429.2	430.1	430.0	429.0
Jan	434.0	434.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	[redacted]	[redacted]	High/Low	
Jan	[redacted]	[redacted]	[redacted]	[redacted]
Feb	[redacted]	[redacted]	[redacted]	
Mar	425.7	417.5	426.0	420.2
May	[redacted]	423.2	[redacted]	[redacted]
Jul	[redacted]	[redacted]	[redacted]	[redacted]
Sep	[redacted]	[redacted]	440.1	436.0
Dec	[redacted]	[redacted]	[redacted]	[redacted]
Jan	453.5	[redacted]	[redacted]	[redacted]
Mar	460.1	450.9	[redacted]	455.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	[redacted]	[redacted]	High/Low	
[redacted]	112.40	114.30	[redacted]	[redacted]
[redacted]	111.85	114.00	113.00	[redacted]
[redacted]	110.50	112.90	111.80	110.30
Apr	109.40	111.50	110.30	109.20
May	108.70	110.35	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	106.95	107.25	[redacted]	[redacted]
Sep	106.30	107.25	107.20	106.20
Oct	105.75	[redacted]	0	0

COFFEE "C" [redacted]

	Close	Previous	High/Low	
Mar	[redacted]	[redacted]	[redacted]	81.30
May	85.90	94.30	93.60	[redacted]
Jul	93.30	97.50	96.30	[redacted]
Sep	96.60	[redacted]	[redacted]	[redacted]
Dec	103.25	[redacted]	[redacted]	[redacted]

[redacted] WORLD "11" [redacted]

	[redacted]	[redacted]	High/Low	
Mar	[redacted]	[redacted]	9.09	8.91
May	[redacted]	[redacted]	9.10	9.02
Jul	[redacted]	[redacted]	9.18	9.06
Oct	[redacted]	[redacted]	9.28	9.10
Mar	[redacted]	[redacted]	9.36	9.25
[redacted]	[redacted]	[redacted]	9.40	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	75.85	76.02	76.20	75.55
May	74.55	74.58	74.85	74.10
Jul	73.81	73.81	74.00	73.60
Oct	68.85	68.86	68.87	68.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	121.00	117.00	122.00	119.00
Mar	118.95	114.15	119.10	115.30
May	119.50	114.50	119.50	116.75
Jul	120.00	115.25	120.00	116.00
Sep	118.00	118.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

[redacted]	Jan 11	mnth ago	yr ago
[redacted]	1997.4	1998.5	1795.2

DOW JONES (Base: Dec. 31 1974 = 100)

	[redacted]	Jan 10	mnth ago	yr ago
Spot	124.30	124.03	[redacted]	[redacted]
Futures	126.50	126.71	[redacted]	[redacted]

Chicago

SOYABEANS 5,000 bu [redacted] cents/60lb bushel

	[redacted]	[redacted]	[redacted]	
Jan	551/2	553/6	551/4	[redacted]
Mar	569/2	561/6	569/4	[redacted]
May	571/2	581/6	[redacted]	[redacted]
Jul	575/0	586/0	[redacted]	575/0
Aug	[redacted]	591/6	587/0	[redacted]
Sep	587/4	[redacted]	586/0	[redacted]
Nov	591/4	[redacted]	594/4	590/4

SOYABEAN OIL 60,000 lbs; [redacted]

	[redacted]	Previous	High/Low	
Jan	20.65	20.57	[redacted]	20.35
Mar	[redacted]	[redacted]	20.71	20.61
May	21.17	[redacted]	21.04	[redacted]
Jul	21.35	21.35	21.24	21.14
Aug	21.25	21.25	21.35	21.14
Sep	21.20	21.25	21.35	21.16
Oct	21.22	21.25	21.22	21.18
Dec	[redacted]	[redacted]	[redacted]	[redacted]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	[redacted]	161.1	159.5	157.0
Mar	[redacted]	168.6	[redacted]	[redacted]
May	[redacted]	170.0	168.5	[redacted]
Jul	173.4	174.2	174.0	172.7
Aug	174.6	175.5	174.5	172.5
Sep	175.0	176.0	175.5	173.0
Oct	174.5	175.5	174.7	172.5
Dec	[redacted]	178.4	176.0	[redacted]

MAIZE 5,000 bu min; [redacted] bushel

	[redacted]	[redacted]	[redacted]	
Mar	233/4	235/0	234/0	233/2
May	240/2	237/0	240/6	239/0
Jul	247/0	243/4	247/0	245/2
Sep	248/4	246/2	248/6	247/6
Dec	254/4	[redacted]	255/2	247/6
Mar	[redacted]	[redacted]	[redacted]	[redacted]

WHEAT 5,000 bu min; [redacted]

	[redacted]	[redacted]	[redacted]	
Mar	[redacted]	252/4	250/0	247/0
May	[redacted]	261/4	260/4	256/4
Jul	[redacted]	265/0	266/2	262/4
Sep	272/0	272/0	272/0	270/0
Dec	284/4	286/0	286/4	283/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.25	76.35	76.02	75.05
Apr	74.32	75.02	75.30	74.20
Jun	72.82	73.70	73.55	72.42
Aug	72.05	73.10	72.80	72.00
Oct	72.20	73.12	72.80	72.05
Dec	72.85	73.25	73.17	72.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	50.67	51.00	50.75	50.30
Apr	46.40	46.55	46.40	46.40
Jun	53.95	54.45	54.25	53.92
Jul	53.95	54.20	54.20	53.60
Aug	51.72	52.07	51.87	51.50
Oct	46.80	47.10	47.00	46.55
Dec	47.45	47.67	47.60	47.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	68.07	68.60	68.17	67.60
Mar	67.77	69.42	68.02	67.42
May	68.07	68.75	68.10	67.75
Jul	67.45	68.82	68.35	66.25
Aug	64.85	66.20	65.50	64.55
Feb	60.00	61.10	0	60.00

WE'VE FOUND THAT THE BEST WAY TO TAKE CARE OF OUR INVESTMENT IS TO LET YOU TAKE CARE OF THE INDUSTRY.

Everybody knows the phrase 'too many cooks spoil the broth,' but it's remarkable how few people behave as if they believe it. A sensible division of labour at its simplest, it's also the platform upon which [redacted] has built one of the world's leading investment capital companies.

Only you have the complete vision. You have the technical and managerial skills, you have the ambition. Our business is to back these qualities. What we can offer is the means to achieve your end. [redacted]'s investment policy has always been to supply long-term capital to businesses which, for whatever reason, don't have [redacted] to the capital markets. As investment capital providers, rather than venture capitalists, we can take the long-term approach to your business because we believe that is the best way to ensure its success.

Whether it's a start-up, a plan to grow your business, [redacted] management buy out or buy in or [redacted] change in ownership, we have an investment philosophy that can help you get on. All you have to do is ask. If you'd like to talk further about any aspect of investment capital, contact your local [redacted] office. Tell us what you're planning and we'll see what we can do.

3i plc 91 [redacted] London
SE1 8XP
Telephone 071 928 3131

[redacted]
111 Avenue Charles [redacted] Gaulle
92521 Neuilly sur Seine Cedex
Paris France
Telephone 331 4715 1100

3i SA
Tour Societe Suisse
1 Boulevard Vivier [redacted]
69443 Lyon [redacted]
Telephone [redacted] 1672

INVESTORS IN INDUSTRY

[redacted]
capital [redacted] permanent and long-term capital in [redacted] of share [redacted] loan [redacted] in unquoted *companies*

3i SA
[redacted] Avenue de [redacted] Paix
67000 Strasbourg France
Telephone [redacted]

3i Gesellschaft [redacted]
Industriebeteiligungen mbH
Savignystrasse 43
[redacted] *Frankfurt 1 Germany*
Telephone 49 69 [redacted]

3i [redacted] de [redacted]
Industriales [redacted]
[redacted] Ruiz [redacted]
12-1° [redacted]
28014 [redacted] Spain
Telephone 34 1 [redacted] 4419

3i SpA
[redacted] Gaetano
Negri [redacted]
20123 Milan Italy
Telephone 392 [redacted] 3210

3i Jersey [redacted]
Barrard House
Don [redacted]
[redacted] Helier Jersey
Telephone 0534 78228

[redacted] Guernsey Ltd
La Bouillon House
St George's Esplanade
St Peter Port Guernsey
Telephone 0481 21688

3i (Isle of Man) Ltd
[redacted]
33-37 Athol Street
Douglas Isle of [redacted]
Telephone 0624 72321

3i Capital and [redacted]
99 High Street
Suite 1530 Boston
Massachusetts 0211[redacted]
Telephone 617 542 8560

3i Capital [redacted] 3i [redacted]
[redacted] Newport Center [redacted]
Suite 250 Newport [redacted] USA
Telephone 714 [redacted] 1421

3i [redacted]
[redacted] Hill Road
Building [redacted]
[redacted] 94025 [redacted]
Telephone 415 [redacted] 3330

3i Australia [redacted]
[redacted] Queen Street
[redacted]
Victoria 3000 Australia
Telephone [redacted]

3iBJ
7F Akasaka Oji Building
1-22 Akasaka 8 [redacted]
Minato-ku
Tokyo [redacted] Japan
Telephone 81 33 [redacted] 5321

هكذا من الأصل

LONDON STOCK EXCHANGE

Institutions search for safer havens

EQUITIES [illegible] the start of the new account yesterday [illegible] institutions responded to the increasing likelihood of conflict in the Gulf by avoiding the London stock market. The City responded in time-honoured style to the [illegible] of war: [illegible] bought dollars and gold, which are deemed [illegible] be safe havens in uncertain times. Sterling, backed by North [illegible] oil, also rose. The [illegible] were shares, longer gilts and [illegible] currencies of oil importing nations.

The price of crude oil rose by more than [illegible] barrel, but enthusiasm for shares in oil companies [illegible] tempered by the [illegible] $2bn charge against restructuring by US company Occidental Petroleum, run by Armand Hammer until his [illegible] last month. Gold closed $7.1 better in London at $398.25, a change that was reflected in a good performance from precious metals mining shares.

Account Dealing Dates		
First Dealings:		
[illegible]	[illegible]	Jan 28
Option Declarations:		
Jan 10	Jan 24	[illegible]
Last Dealings:		
Jan 11	[illegible] 25	[illegible]
Account Day:		
Jan 21	[illegible] 4	[illegible]

New-time dealings may take place from 8.30 am two business days earlier.

Dearer oil prompted equity strategists to [illegible] their pessimistic [illegible] of [illegible] health [illegible] industrialised economies. [illegible] Richard Kersley [illegible] that [illegible] developed world was weaker [illegible] in the [illegible] oil price [illegible] of [illegible] Finance ministers might not be able to resist the pressure to reduce interest rates to cushion the [illegible] of a deepening recession. As a [illegible] inflation [illegible] be [illegible] than [illegible].

A more positive picture [illegible] UK investors [illegible] Mr [illegible] Reynolds at County [illegible]. [illegible] that [illegible] had [illegible] of their funds in cash, amounting [illegible]. Any fall in [illegible] prices would be limited because fund [illegible] felt they already had enough cash. If conflict [illegible] in the Gulf, funds would look [illegible] opportunities, [illegible] cially [illegible] 2000 [illegible] index [illegible] breached. However, by buying soon [illegible] out, [illegible] would be betting [illegible] the [illegible] lasting [illegible] matter of weeks, warned Mr Reynolds. After that, [illegible] financial [illegible] of waging [illegible] bear down on the [illegible] recovery.

The [illegible] in the [illegible] the Baltic states of the Soviet Union was not the only factor behind a sluggish start to trading yesterday. Marketmakers struggled to get to grips with changes in the way share [illegible] are quoted [illegible] are recorded.

Traders are now obliged to deal at the prices they quote on Seaq screens. On top of that, turnovers in all equities are being made public on the day [illegible] business is conducted, [illegible] of just in alpha stocks, while details of unusually large [illegible] are hidden for [illegible] their execution, [illegible] it more difficult to read [illegible] market [illegible].

Trading volume reached a dismal 267.3m and the FT-SE 100 index close 25.3 down at [illegible] constituents of [illegible] went ex-dividend, accounting for 1.6 of [illegible] decline.

[illegible] was [illegible] worst, just [illegible] trading [illegible] Wall Street. The modest recovery on [illegible] of the [illegible] was [illegible] by reports of an apparently Yemeni-inspired last minute peace plan for the Gulf.

In its grim mood, the market looked on the negative side of an unexpectedly large 1.9 per cent increase in retail sales in December. Rather than regard the active consumer as a sign of [illegible] health, [illegible] the [illegible] of an interest rate cut fade further. The stores sector [illegible] failed to take heart from the figures, not least because the Confederation of British Industry, the employers' association, said that British retailers' confidence was at an eight-year low.

Oils move against market

THE IMMINENT expiry [illegible] the United Nations deadline [illegible] Iraq to quit Kuwait triggered a sharp rise in [illegible] oil prices and [illegible] to a flurry of activity in oil shares. BP led the sector in a session of marked outperformance against [illegible] wider market. [illegible] prices [illegible] by more than [illegible] a barrel [illegible] one point in the morning before receding [illegible] close.

BP easily outshone Shell, closing [illegible] firmer at 325p, with dealers pointing to the [illegible] higher gearing to rising crude prices. Shell [illegible] off [illegible].

The exploration and production (E & P) stocks, however, were unsettled by [illegible] that America's Occidental, [illegible] part of a major restructuring, [illegible] taking a [illegible] after-tax charge against fourth quarter [illegible] slicing [illegible] quarterly dividend from 62.5 [illegible] 25 [illegible] and reducing [illegible] asset sales. The [illegible] were interpreted by some specialists as possibly meaning North Sea interests, and resulted in Enterprise dipping 5 to 578p and Lasmo 2 to 357p. Asset valuations are crucial to the E & P stocks.

County NatWest outlined its oil sector strategy, taking the view that oil price fundamentals are extremely weak and "an end to the (Gulf) crisis would see oil prices fall towards $15 a barrel, which is where the underlying price already is. The sector relative could then plunge to 190 from 220 with most risk in BP."

Nomura has shifted its sector stance from underweight to neutral. Nomura said: "The downside risk is probably $10, the upside risk somewhat higher." Laing & Cruikshank described its stance on the sector as "very bullish."

GRE slips back

There was no let-up in the downward pressure on the insurance [illegible] of the market, with Guardian Royal Exchange a notable casualty in the composites after Smith New Court increased its forecast of [illegible] for [illegible] 1990.

The broking house [illegible] it [illegible] expected [illegible] to merely [illegible] dividend; Smith had been looking for [illegible] its final payment by around 10 per cent. GRE's preliminary [illegible] expected [illegible].

Smith's [illegible] team, which previously had predicted a loss of £125m, is now looking for GRE to post a 1990 deficit of [illegible]. Other analysts [illegible] thought to be about to increase their forecasts of GRE losses.

Mr Steven Bird, an insurance specialist at Smith, said GRE had suffered from large underwriting losses in the UK and a steep reduction – from £1.64bn to close to £900m – in shareholders' funds.

Less than two weeks ago GRE issued a profits warning along with news that it was selling some of its loss-making Italian businesses. The company said it was sharply raising provisions on its personal liability account. GRE shares dipped 5 to 184p.

International stocks eased in line with the rest of the market. Fisons was the worst performer, declining 8¼ to 347p, with traders reporting selling by Japanese securities houses.

The market was in no mood to accept a positive interim statement from Tomkins, the industrial conglomerate. Boosted by the acquisition of [illegible] Philips Industries, profits rose [illegible] per cent to [illegible] expectations. [illegible] the Mr Greg Hutchings was [illegible] future prospects [illegible] shares, rated a [illegible] by County [illegible] Friday, [illegible] 216p.

[illegible] & [illegible], the international [illegible] distributor, was another company to reveal good mid-term results. Along with a profits [illegible] 36 per [illegible] to £10.6m, a figure [illegible] analysts' forecasts, the group [illegible] it [illegible] through recessionary [illegible] better than most. Investors were not impressed, however, and [illegible] dipped 5 [illegible] 167p.

Chloride [illegible] one [illegible] trend. Following the proposed [illegible] of [illegible] group's battery [illegible] the [illegible] improved a penny to 17p. Hawker Siddeley is buying the UK industrial battery division for £43.5m, while Tech Trade (Singapore) is acquiring the 76 per cent interest in Chloride Eastern Industries (CEIL) for about £14m. Hawker, unaccountably weak last Friday, slipped 4 to 424p.

Other chemical issues were hit by growing concern over rising energy costs at a time when the industry is among those experiencing the [illegible] of the UK [illegible]. Laporte led the downturn with a fall of 10 to 469p, while Croda International, 153p, and Hickson International, 117p, [illegible] up 7 and [illegible] respectively.

Grand Metropolitan suffered as attention turned to currency movements and the US, where the group is heavily exposed to [illegible] deterioration of consumer confidence. Quoted ex the final [illegible] payment, [illegible] shares [illegible] only a [illegible] trading volume but [illegible] 13 down at 644p.

Fears that an outbreak of hostilities in the Gulf would seriously affect hotel bookings sent stocks with related interests lower. Business was said by dealers to be light, but Bass came back 19 to 1029p. Others to show sizeable losses were Ladbroke, down 9 at 225p, and Trusthouse Forte, 6 off at 231p.

Bank shares took another pasting, [illegible] dealers on the [illegible] institutions became increasingly nervous of [illegible] ahead of the preliminary reporting season, which gets [illegible] on February 22 [illegible] figures from Lloyds. Hoare Govett [illegible] the "big four" to produce bad debt charges more than treble last year's at £2.5bn, with the greatest [illegible] (up six-fold) coming from Midland.

Standard Chartered, where analysts are now looking for a cut in the dividend, declined 5 more to 208p. Barclays lost 10 [illegible] and Lloyds 9 to 277p, while [illegible] 9 to 256p.

A profits downgrade [illegible] County NatWest upset [illegible] ment in Willis Corroon, the insurance broker. County cut 1990 and 1991 forecasts from £92m and £140m to £89m and £127m respectively, reflecting a slowdown in growth at Corroon and loss of the Johnson & Higgins [illegible].

[illegible] of increased [illegible] and [illegible] equipment [illegible] pushed British Aerospace up 4 to 528p against [illegible] wider market, but did little for [illegible] of [illegible] manufacturers.

Vickers slipped 3 to 190p on continuing speculation that Sir Ron Brierley's IEP Securities is considering the sale of its 20 per cent shareholding, while Rolls-Royce receded [illegible] to 148½p in turnover of 4.1m.

Adverse press views on the cash call, through a rights issue, by London International Group continued to unsettle both the old and new shares, which closed 8½ down at 198p and 8p premium respectively.

Various [illegible] downgradings, including British Steel, which [illegible] 1¼ to 115p. [illegible] profit [illegible] expectations were [illegible] Bunzl [illegible] shares [illegible] 5 cheaper at 58p.

[illegible] dipped 3 to 259p as year £91.5m, against £98m, [illegible] forecast. Weakness in the poultry market and the downturn in its vehicle leasing division would depress profitability, analysts said. [illegible] securities [illegible] Unigate would [illegible] final dividend.

Northern Foods was up 1 at [illegible] following a positive meeting with analysts at [illegible] Warburg.

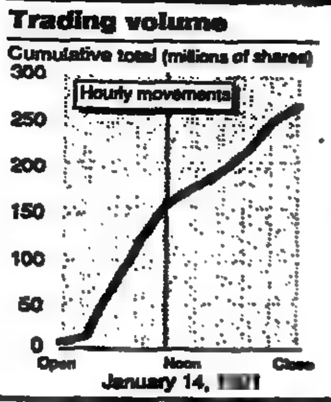
The stores sector received support from a 1.9 per cent increase in December retail sales. Analysts had expected more [illegible] profits [illegible]. When property profits are stripped out, analysts expect £83m this year from £85m to £87m previously. Next [illegible] benefit. Marks and Spencer were unchanged at 226p against a falling market. Retailers, however, retreated 9 to 162p [illegible] Christmas may [illegible] disappointing.

Burton were unchanged at [illegible] following reports that [illegible] was attempting to sell Harvey Nichols, [illegible] department store, for as much as £120m. But analysts thought [illegible] more realistic price tag. Next slipped 2½ to 14p on suggestions that it was encountering difficulties selling Club 24, the consumer credit division. Stores specialists said if Next was [illegible] to sell Club [illegible] then it may be forced into a financial restructuring.

Brent Walker, the debt-laden leisure group, progressed to 61p [illegible] following news that its creditors have waived [illegible] deadline for a refinancing agreement after a number of boardroom changes.

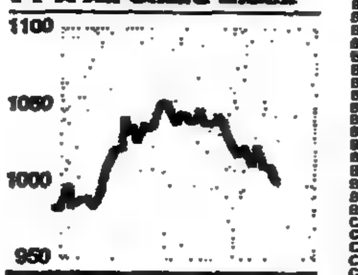
■ Other Market statistics, including the FT-Actuaries share index, Page 25

Trading volume



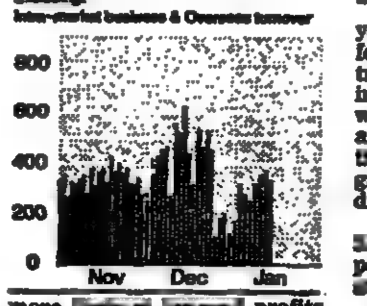
Trading volume, [illegible] on Seaq screens, plumbed new depths in early trading. Investors were paralysed by political uncertainties in the Gulf and the Soviet Union, but this was compounded by technical changes to the way in which turnover is recorded. There is now a delay of 90 [illegible] before deals [illegible] to be unusually large are published. Figures are updated for 90 minutes after the [illegible]. Previously, the price [illegible] worth more [illegible] £100,000 [illegible] public the [illegible] day.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (9).

BRITISH FUNDS (1) BREWERS (1) ELECTRICALS (1) INSURANCE (1) TRUSTS (5)

NEW LOWS (267).

AMERICANS (1) BANKS (6) BUILDINGS [illegible] STORES (4) ELECTRICALS [illegible] ELECTRICITY (2) ENGINEERING [illegible] FOODS (4) HOTELS (3) INDUSTRIALS [illegible] Amber Inds., Avon Rubber, Barrett (Henry), Bilston & Battersea, Black Arrow, Bridon, Brooks Service, Brown & Tawse, Coctus, Elsco, Fenner, Fletcher Challenge, Flexello C & W, Goode Durrant, Hanson Wrts., Hartons, Kleen-E-Ze Hldgs., Le Creuset, Mayflower Grp., Nobo Grp., Norton Grp., Office & Elect., Powell Duffryn, Redland Metal, Ricardo Intl., Robertson Grp., Silverstones, [illegible] Inv., Titon, Toothill (R.W.), WSP Hldgs., [illegible] LEISURE [illegible] PAPER [illegible] PROPERTY [illegible] TEXTILES [illegible] TRANSPORT (1) TRUSTS [illegible] OILS [illegible] OVERSEAS TRADERS (1) [illegible]

FINANCIAL TIMES STOCK INDICES

	Jan 14	Jan 11	Jan 10	Jan 9	Jan 8	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	[illegible]	83.29	[illegible]	83.39	[illegible]	[illegible]	[illegible]	[illegible]	127.4	[illegible]
Fixed Interest	[illegible]	[illegible]	91.08	[illegible]	90.97	92.39	92.91 (8/1/90)	83.60 (30/4/90)	105.4 (28/11/47)	50.53 [illegible]
Ordinary Share	1627.9	1648.0	[illegible]	[illegible]	1638.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	[illegible]	[illegible]	[illegible]	170.2	[illegible]	349.4	378.5	136.2	[illegible]	[illegible]
FT-SE 100 Share	2060.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2463.7 (3/1/90)	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	900.45	[illegible]	923.73	[illegible]	915.75	-	1003.35 (14/1/91)	[illegible]	1003.35 (14/1/91)	900.45 (14/1/91)
Ord. Div. Yield	5.68	5.61	5.61	5.76	5.85	4.50				
Earning Yld % (full)	12.25	12.11	12.11	11.99	12.19	[illegible]				
P/E Ratio (net)	9.57	9.99	9.98	10.08	9.92	11.02				
SEAQ Bargains	31,283	32,290	[illegible]	30,058	[illegible]	27,013				
Equity Turnover (£m)	-	710.05	[illegible]	652.90	601.75	[illegible]				
Equity Bargains	-	[illegible]	[illegible]	[illegible]	[illegible]	27,791				
Shares Traded (mil)	-	323.5	[illegible]	[illegible]	[illegible]	[illegible]				

Ordinary Share Index, Hourly changes — Day's High 1642.9 — Day's Low 1617.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1642.2	1636.9	1635.6	1625.7	1625.1	1625.8	1618.2	1620.3	1628.5

FT-SE, Hourly changes — Day's High 2102.4 — Day's Low 2071.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2101.4	2095.8	2094.1	2081.9	2080.0	2080.2	2073.2	2073.7	2076.5

FT-SE Eurotrack 100, hourly changes — Day's High 909.44 — Day's Low [illegible]

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
909.44	907.05	907.02	903.91	902.88	900.12	900.23

GILT EDGED ACTIVITY

Indices*	[illegible]	Jan 11
Gilt Edged Bargains	[illegible]	[illegible]
5-Day average	[illegible]	[illegible]

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

APPOINTMENTS

Restructure at BET Security

■ BET has restructured its security services operations as a separate division - BET Security and Communications Services, comprising the Shorrock and Varel security businesses and the Rediffusion communications operation. Mr Ray Hart, who is responsible for BET's UK and US security systems (Shorrock Security) and communications (Rediffusion), will also become chief executive of the new division. Deputy chief executive will be Mr Wayne Bradley who heads Shorrock Guards in the UK and Varel in the Netherlands.

■ Following the promotion of Mr Paul Pedley to deputy chairman of REDROW GROUP, Mr Roger Thompson has been appointed financial director. Mr Thompson joins from Countryside Properties.

■ Mr Denis MacDaid has been appointed a [illegible] of TAYLOW [illegible] INTERNATIONAL. He joined the group in 1965.

■ SAVE & PROSPER has appointed Mr David Butcher as managing director of Save & Prosper Sales; and Mr Keith Civval [illegible] managing director [illegible] Prosper Financial Services.

■ Mr Bill Ellaby, finance director of AMERSHAM INTERNATIONAL, [illegible] to retire at the end of March. He will be succeeded by Mr Kirk Stephenson, who joins from Morgan Stanley International, where he was a vice-president in the [illegible] acquisitions department. Mr Stephenson's appointment is from February 1. Mr Alistair Hamilton, a main board director responsible for international commercial operations including Japanese activities, is to retire in May.

■ Mr Malcolm Hayes has been appointed engineering [illegible] of Birmingham-based engineering department of EAGLE STAR. He was engineering division head at Walker Greenbank.

■ Mr [illegible] Leonard has been promoted to investment director of CLERICAL MEDICAL UNIT TRUST MANAGERS. He replaces Mr Paul Williams who has resigned from the board to [illegible] more time to his responsibilities as investment manager (UK equities) for Clerical Medical Investment Group.

■ Mr G.N. Corah, a non-executive director, has been appointed deputy chairman of EAST MIDLANDS ELECTRICITY.

■ Mr Michael Cooke has been appointed general manager of MV Multimedia, a new subsidiary of MICROVITEC. Mr Cooke has been a director of Microvitec for five years and remains on the main board.

■ Mr Peter Grant, chairman of Sun Life [illegible] Society, has become a non-executive director of BNP U.K. HOLDINGS.

■ Mr Tony Mason has been appointed a director of P&O CONTAINERS. He was general manager [illegible] the Australia, New Zealand and Southern Africa divisions, and will retain responsibility for those trades. He joined the company in 1973.

■ Mr Alan Cole has been appointed chief executive of TRANSPORT DEVELOPMENT GROUP. He was managing director, and succeeds Sir James Duncan who continues as chairman.

Eurotunnel post

■ Mr Alistair Fleming, EUROTUNNEL's managing director, construction, will be leaving the company at the end of this month to return to Scotland as a director of the WEIR GROUP. He will be replaced by Mr Roger Picard, who has been with the project as manager of construction since autumn 1989, on secondment from [illegible] International.

■ Mr Miles Flint has been appointed to the board of SONY (U.K.) as managing director of Sony Broadcast and Communication Products (U.K.), the sales and marketing company for broadcast and industrial video, audio and communication products based in Basingstoke. He was with STC Communications where he was managing director of the communications terminal division.

■ Mr Philip Holbeche has been appointed managing partner in charge of private banking at ROYAL TRUST BANK, a wholly-owned subsidiary of Royal Trustco, Canada.

■ Mr Peter Sawdy has been appointed a non-executive director of YULE CATTO & CO. He is chairman of the Costain Group, and deputy chairman of the Hogg Group.

■ Mr Charles Cavanagh will be joining the board of KLEINWORT BENSON INVESTMENT MANAGEMENT on March 4 as head of UK institutional fund management. He was director in charge of UK pension fund business at Mercury Asset Management.

■ POLARIS AIRCRAFT LEASING INTERNATIONAL, London, has appointed Mr [illegible] as managing director. He was senior vice president, commercial, with MPC Aircraft.

■ Mr [illegible] Klaucke (pictured), former joint managing director of Deutsche Bank's mergers and acquisitions subsidiary, has joined PRICE WATERHOUSE as a partner and managing director of Price Waterhouse Corporate Finance [illegible] in Frankfurt. Price Waterhouse Corporate Finance is managed on an integrated European basis, and Mr Klaucke has also been appointed the partner responsible for strategy on the firm's European corporate finance [illegible].

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Continued on Page 33

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES — Contd

Components

1990/91 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453xd	+2	3.5	10.8	1.0	12.0
225	135	Airflow Streamlines	140	....	6.0	3.0	5.7	7.8
190	145	Bostrom 5p	145	....	†5.75	3.1	5.3	6.6
206	145	Dowty 50p	149xd	....	†9.C	2.1	8.1	7.1
239	110	FR Group	117	-1	6.37	3.1	7.3	6.0
135	55	Kwik-Fit Hldgs. 10p	71	-2	12.4	2.3	4.5	13.1
174	102	Lucas Inds.	131	+2	7.0	2.5	7.1	6.4
44	14	Do. Warrants	22½	....	-	-	-	-
80	51	Mid-States 10p	51	-2	2.00	-	2.0	42.7

Garages and Distributors

1990/91 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
28	14	Alexanders 10p	17xd	....	1.0	♦	7.8	♦
135	77	Appleyard 10p	77	-2	†7.8	2.4	13.5	3.6
110	55	Bletchley Motor 20p	70	....	†7.5	1.9	14.3	5.0
568	395	Caffyns 50p	395	-3	11.5	1.0	3.9	36.0
121	89	Central Motor Auctns.	90	-1	13.25	3.2	4.8	8.6
61	18	Cook (D.C.) Hlgs 5p	18	-2	1.0	5.5	7.4	3.4
89	37	Cowie (T.) 5p	37	-2	4.3	1.5	15.1	5.1
95	56	Dagenham Motors 10p	77	+1	†5.25	2.8	9.1	5.3
98	73	Davenport Vernon 10p	74	-1	3.5	3.6	6.3	5.2
247	163	Evans Halshaw	165	....	11.25	2.4	9.1	6.0
113	68	Gates (F.G.)	70	-3	2.75	1.9	5.2	13.1
161	25	Gowrings 10p	33	....	5.63	1.0	22.7	5.7
81	44	Jacks Wm.	44	....	2.0	1.0	†	21.6
118	43	Jessups	44	-2	7.0	1.0	21.2	6.4
297	146	Lex Service	146	-4	15.3	1.9	14.0	5.1

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412213/4/5

Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts SG1 2NN 0438 744840

Consistent Unit Tst Mngt Co Ltd (1200)F
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966

Cornhill Unit Trust Mngrs Ltd (1000)F
PO Box 13B, Beckenham, Kent BR3 4YR

GT Unit Managers Ltd (1200)H
8th Floor, 8 Devonshire Sq, London EC2M 4YJ 071-283 2575

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR8 4WA 081-663 3111

Medical Investments Ltd (1100)F
94 White Ladies Rd, Bristol BS8 2QX 0272 237593

Mercury Fund Managers Ltd (1000)H

National Provident Inv Mngrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	74 99	74 99	79 60	+0 1	0 53
Income & Growth	5¼	50 73	50 73	53.85	-0 4	5.96
European	5¼	46 05	46 05	48 88	-1 4	1 20
Nth American	5¼	29 46	29 46	31 27	+0.3	1 68
Intl Growth	5¼	48 90	49 96	53.03	-0.0	0.95
Uk Growth	5¼	45 37	45.37	48.16	-0 4	3 59
Intl Income	5¼	40 80	41.37xd	43 91	-0.06	7 40
High Yield	5¼	39 24	39 87xd	42.32	-0 32	8 69
Charities	5¼	78 76	79 90	84 81	-0.57	7 21
Japan	5¼	32.34	32.34	34 33	+0.16	–

Mathesen Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries 0277 227300 Dealing [illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	56 63	56.63	60 [illegible]	[illegible]	[illegible]
UK High Income	6	29.71	29.71	31 [illegible]	[illegible]	[illegible]

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries 0705 372222 Dealing 0705 387730

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	24.90	24 90	26.56	+0 28	1.92
(Accum Units) ♥	5¼	26 65	26 65	[illegible]	+0 30	1.92
Australian ♥	5¼	133 10	134 10	[illegible]	-0 50	2 49
(Accum Units) ♥	5¼	151 60	152 70	[illegible]	-0 50	2 49
Conscience	5¼	41 48	42.33xd	[illegible]	-0 47	1 73
(Accum Units)	5¼	43 51	44 41	[illegible]	-0 49	1 73
European	5¼	120 40	120 40	128 40	-3 00	1 21
(Accum Units)	5¼	127 00	127.00	135 40	-3 20	1 21
Extra Income	5¼	56 [illegible]	57 08	60.91	-0 70	10 03
(Accum Units)	5¼	75 [illegible]	76 51	81 65	-0 95	10 03
Far East Gth Acc ♥	5¼	88 [illegible]	88 21	94.29	-0.29	0.33
Gilt & F I	5¼	51 [illegible]	51.40	54 40	-0 17	9 21
(Accum Units)	5¼	104 [illegible]	104.60	110.60	-0.30	9.21

[illegible]uide to pricing of Authorised Unit Trusts

Compiled with the ass[illegible]nce of Lautro §§

INITIAL CHARGE: Charge made on sale of units. [illegible] marketing and administrative costs, [illegible] commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also ca[illegible] issue price. The price at which units are bou[illegible] by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible] minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, [illegible] unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price [illegible] be moved to the cancellation price by the managers at any time, usually in circumstances in which [illegible] is a large excess of sellers of units over buyers.

TIME: The t[illegible] alongside the fund manager's name [illegible] the unit [illegible] valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse [illegible] prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

Continued on Page [illegible]

حكمان الكحيل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants. S[illegible] 1RE						0264 346794
TSB American	6	103.56	[illegible]	110.93	-0.72	0.92
Do Accum	6	113.2	[illegible]	121.26	+0.79	0.92
TSB Brit Growth	6	61.95	[illegible]	65.9	-1.95	3.98
Do Accum	6	68.49	[illegible]	72.86	-2.15	3.98
TSB European	6	60.83	[illegible]	65.12	-1.21	1.37
Do Accum	6	63.04	[illegible]	67.49	-1.25	1.37
TSB Extra Income	6	135.9	[illegible]	147.96	-1.58	6.24
Do Accum	6	192.2	[illegible]	209.26	-2.28	6.24
TSB Smaller Cos	6	37.12	[illegible]	41.26	-0.38	3.3
Do Accum	6	38.93	[illegible]	43.26	-0.3	3.3
TSB General	6	186.32	[illegible]	201.79	-3	4.43
Do Accum	6	347.63	[illegible]	376.5	-5.61	4.43
TSB Premier Income	5	41.78	[illegible]	44.26	-0.12	9.52
Do Accum	5	73.46	74.55	77.65	-0.2	9.52
TSB Income	6	248.60	253.98	270.19	-4.23	6.12
Do Accum	6	462.32	472.1	502.70	-7.86	6.12
TSB Pacific	6	185.49	185.49	197.32	-3.67	0.66
Do Accum	6	19[illegible]	193.0	205.31	-3.82	0.66
TSB International	6	31[illegible]	315.4	335.53	-2.38	1.71
Do Accum	6	404.56	404.56	430.38	-3.96	1.71
TSB Nat Resources	6	54.14	55.29	58.81	+0.2	1.32
Do Accum	6	58.73	59.98	63.8	+0.2	1.32
TSB Gild Opps	6	65.45	67.08	71.36	-1.06	4.09
Do Accum	6	78.12	80.06	85.17	-1.27	4.09
Environmental Inv	6	39.08	39.70	42.32	-0.3	2.62
Do Accum	6	39.98	40.7	43.29	-0.3	2.62
TSB Selector	6	40.36	41.2	43.82	-0.55	4.91
Do Accum	6	41.59	42.45	45.15	-0.58	4.91
TSB High Income	6	43.28	43.98	46.78	-0.37	6.73
Do Accum	6	44.56	45.28	48.17	-0.38	6.73
TSB Intl Income	6	47.22	47.38	50.4	-0.07	7.04
Do Accum	6	47.22	47.38	50.4	-0.07	7.04
TSB Selector Income	6	44.06	44.63	47.47	-0.37	6.95
Do Accum	6	44.06	44.63	47.47	-0.37	6.95
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000				Dealing: 0296 312136		
American Eagle	5	58.56	58.56	62.56	-0.17	1.23
Australia	5	5.003	5.003	[illegible]	-0.58	4.98
Equity	5	136.4	136.4	[illegible]	-1.7	5.25
Euro Spec Sits	5	88.16	88.16	95	+2.6	0.73
Financial	5	23.84	23.92	25	-0.23	5.79
Global Opps Inc	5	53.44	55.44	57	-0.3	1.85
Global Opps Acc	5	54.60	54.60	58	-0.3	1.85
Gold & Gen Inc	5	35.43	35.43	38.15	-0.26	1.44
Gold & Gen Acc	5	66.23	66.23	71	+0.49	2.44
Income	5	85.58	85.58	92	[illegible]	[illegible]
Japan & General	5	107.5	107.5	115	-1.19	6.94
Preference Share	5	17.00	18.25	18	-0.6	0.00
UK Capital	5	74.51	74.51	80	-0.09	14.31
World Income	5	52.73	52.73	56.90	-0.63	4.36
Worldwide Capital	5	139.3	139.3	150.1	-0.75	6.19
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA						031 228 3932
Global Growth Acc	6	90.46	91.34	97.69	-0.41	3.52
Global Growth Inc	6	85.96	86.42	92.42	-0.41	3.52
Global Balanced Acc	6	93.28	93.58	100.09	-0.29	4.66
Global Balanced Inc	6	87.06	87.35	93.42	-0.23	4.66
Value Tst Acc	6½	66.34	67.31	71.99	-0.94	4.58
Value Tst Inc	6½	63.40	64.32	68.79	-0.94	4.58

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charifund	94.7	94.7		10.83
(Accum Units)	328.6	328.6	-0.2	10.83
NAACIF Jan 9	—	39.5	—	10.13
MIM Ltd				
Exempt Funds				
Intl Mngd P'folio	928.0	1003.0	—	—
Mngd Pens (Acc)	56.2	59.9	—	—
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Jan 8	110.2	118.1	—	3.25
UK Small Co † Jan 8	421.6	463.2	—	2.31
Fixed Interest † Jan 8	101.4	106.6	—	8.31
US Small Co Jan 8	103.8	111.1	—	0.00
Managed Jan 8	92.56	98.42	—	2.59
Intl Bond Jan 8	107.4	113.5	—	8.05
Japan Jan 8	60.63	64.79	—	1.05
European Jan 8	73.93	79.13	—	1.78
Nth American Jan 8	78.68	84.52	—	1.65
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Jan 9	38.1	40.6	—	2.49
Euro Expt Jan 9	44.4	48.6	—	2.71
Fixed Int Ex Jan 9	44.4	45.6	—	11.25
Japan Expt Jan 9	37.0	38.6	—	0.73
Managed Ex Jan 10	30.0	30.5	—	5.13
SE Asia Expt Jan 9	54.4	57.1	—	7.15
Sm Cos Expt Jan 9	27.3	28.6	—	5.94
UK Eqty Ex Jan 9	35.5	37.2	—	4.69
Phillips & Drew Fund Management Ltd				
Small Cos Jan 1	589.63	631.9	—	5.97
Do Accum	662.4	704.8	—	5.97
Int Expt Jan 9	142.1	144.8	—	2.99
UK Index Jan 2	990.8	1012	—	5.76
Do Accum	1054	1080	—	5.76
Convertible Jan 11	80.14	82.77	-0.20	9.32
World ex UK Index Jan 7	637.6	646.1	—	3.07
Do Accum	637.6	646.1	—	3.07
Japan Index Jan 7	510.5	518.0	—	0.57
Do Accum	511.8	519.2	—	0.57
USA Index Jan 7	744.0	762.4	—	3.66
Do Accum	748.9	767.3	—	3.66
Contrafts UK Index Jan 7	746.8	765.4	—	3.26
Do Accum	763.3	782.2	—	3.26
Pacific ex Jap Index Jan 7	697.9	718.9	—	3.76
Do Accum	723.7	745.4	—	3.76
[illegible] Jan 9	89.83	91.59	—	3.82
[illegible] Jan 9	99.46	102.2	—	4.83
[illegible] Jan 9	99.98	101.5	—	4.23
[illegible] Jan 9	93.65	95.80	—	0.20
[illegible] Jan 9	94.96	98.14	—	3.46
NM Rothschild Asset Management Ltd				
RC Managed	52.7	55.6	-0.5	4.40
RC Property	174.3	191.2		—
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	118.6	119.9	—	5.22

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	88.3	93.0	-1.0	-
Pension Managed Fd	84.5	88.9	-0.9	-
Life Deposit Fd	103.7	109.1	+0.1	-
Pension Deposit Fd	107.3	113.0	+0.2	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, [illegible] 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	97.7	102.9	-0.4	-
Managed Growth	119.4	125.7	...	-
Managed Opportunity	112.9	118.9	-0.6	-
NFMC Target Financial	84.4	88.9	-0.5	-
Pension Funds				
Managed Cautionary	105.8	111.4	-0.2	-
Managed Growth	123.4	129.9	-1.1	-
Managed Opportunity	115.3	121.4	-0.3	-
NFMC Target Magd Pen	1289.2	1357.1	-17.7	-

National Mutual Life

The Priory, [illegible] Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester [illegible] Funds				
Managed	139.0	146.4	----	-
UK Equity	144.1	151.7	----	-
Overseas Equity	108.5	114.3	----	-
Fixed Interest	135.9	143.1	----	-
Property	125.2	131.8	----	-
Index Linked	143.5	151.1	----	-
Deposit	148.6	156.5	----	-
With Profits (8)	124.8	131.3	----	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	302.1	318.0	-2.4	-
UK Equity	374.9	394.7	-5.0	-
Overseas Eq	282.2	297.1	-1.8	-
Americas	214.6	225.9	+1.5	-
Far East	292.8	308.3	+0.9	-
Property	193.1	203.3	-0.1	-
Fixed Int	244.3	257.2	-0.7	-
Indexed Gilt	149.4	157.3	-0.1	-
Deposit	175.1	184.4	+0.2	-
Pension Fund (Accum Units)				
Managed	423.4	[illegible]	...	-
UK Equity	481.8	[illegible]	-6.1	-
Overseas Eq	464.8	[illegible]	...	-
Americas	281.2	296.1	+0.6	-
Far East	490.8	516.7	-2.2	-
Property	240.4	253.1	-0.3	-
Fixed Int	298.8	314.6	-1.0	-
Indexed Gilt	164.5	173.2	-0.1	-
Deposit	242.4	255.2	+0.3	-
NPI Pensions Management Ltd				
Managed Fund	948.3	965.2	----	-

Prices Dec 31 Next dealing [illegible] 1

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	61[illegible]	64.4	-0.6	-
Stock Market Magd Fund	57[illegible]	60.6	-0.6	-
Equity Fund	[illegible]	69.0	-0.9	-
International Fund	[illegible]	52.4	-0.5	-
European Fund	[illegible]	59.4	-1.0	-
North American Fund	[illegible]	56.1	+0.1	-
Pacific Fund	[illegible]	57.7	+0.5	-
Property Fund	[illegible]	90.6	+0.1	-
Fixed Interest Fund	[illegible]	58.4	-0.3	-
Index Linked Sec Fund	[illegible]	63.8	-0.1	-
Deposit Fund	[illegible]	70.7	----	-
NUAM Retirement Plans				
Mixed Fund	66.3	69.8	-0.7	-
UK Ordinary Share Fd	75.6	79.6	-1.0	-

[illegible]

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	135.0	142.5	-2.0	-
Accum Equity	190.5	201.0	-2.5	-
Accum Managed	196.0	207.0	-1.5	-
Accum Five Star	146.5	154.5		-
Accum World	105.5	111.5	-0.5	-
Accum Lifetime	98.8	98.8	-1.0	-
Pens Acc Equity	197.[illegible]	208.5	-3.5	-
Pens Acc Managed	230.[illegible]	243.0	-2.5	-
Pens Acc Intl	165.[illegible]	174.0	-1.0	-
Pens Acc Deposit	189.5	200.0	...	-
Pens Acc Five Star	153.0	161.5	-0.5	-

Providence Capitol Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	191.9	202.5	-2.[illegible]	-
UK Fixed Int Acc	165.6	174.7	+0.[illegible]	-
Intl Equities Acc	146.2	154.3	+2.[illegible]	-
UK Managed Acc	153.5	161.9	-0.[illegible]	-
Property Acc	226.0	238.4	...	-
Money Acc	124.7	131.6	+0.1	-
Special Market Acc	117.5	124.0	-1.0	-
Japan Equity Acc	86.3	91.1	-0.4	-
North American Acc	82.9	87.5	+0.5	-
Pacific Acc	73.0	77.1	+1.2	-
Technology Acc	92.2	97.3	+0.5	-
Nat Resources Acc	54.3	57.3	+0.1	-
European Acc	85.7	90.5	-0.5	-
Residential Prop Acc	95.8	101.1	-0.1	-
Swiss Equities Acc	29.0	30.6	-0.8	-
Hong Kong Acc	47.3	49.9	-0.1	-
UK High Inc Eq Acc	61.8	65.[illegible]	-1.0	-
Int Fixed Interest Acc	53.5	56.[illegible]	+0.1	-
Int Managed Acc	49.5	52.[illegible]	+0.5	-
HIP Managed Acc	99.6	105.[illegible]		-
HIP Managed II Acc	86.1	90.[illegible]	-0.2	-
Total Investment Bond				
UK Equity Initial		131.2	-1.8	-
UK Fixed Int Initial		113.4		-
Intl Equities Initial		99.4	+1.4	-
UK Managed Initial		105.2	-0.6	-
Property Initial		155.9	...	-
Money Initial		85.8	...	-
Special Market Initial		91.8	-0.7	-
Japan Equity Initial		67.4	-0.3	-
North American Initial		64.7	+0.3	-
Pacific Initial		57.0	+0.8	-
Technology Initial		72.0	+0.4	-
Nat Resources Initial		42.3	...	-
European Initial		77.3	-0.5	-
Residential Prop Init		92.1	...	-
Swiss Equities Initial		27.8	-0.8	-
Hong Kong Initial		45.5	...	-
UK High Inc Eq Init		54.3	-0.9	-
Int Fixed Interest Init		52.1	...	-
Int Managed Init		48.3	+0.4	-
HIP Managed Init		97.3	-0.1	-
HIP Managed II Initial		85.3	-0.2	-
Broker Funds				
High Performance	60.0	63.2	+0.2	-
Towerhill Magd Fd Acc	33.4	35.2	+0.2	-
YRA Executive Fd	81.5	85.9	-0.1	-
£ Global Growth Acc	107.3	113.1	+1.7	-
£ Nat Income Money Acc	135.2	142.6	+0.1	-
IM Balanced		46.3	(2)	-
H F Speculator Fd		109.2	(2)	-
PEP Acorn II		102.7	(2)	-
PEP Cautionary		67.3	(2)	-
AAFS Int Man Fund		107.5	(2)	-
Andrews-Green Inv Port		72.3		-
Individual Pension Funds				
UK Equity Acc	208.2	[illegible]	-3.1	-
UK Fixed Interest Acc	207.4	[illegible]	+0.2	-
Intl Equities Acc	184.9	[illegible]	+3.4	-
UK Managed Acc	166.2	175.3	-1.1	-
Property Acc	201.6	212.7		-
Money Acc	154.4	162.9	+0.2	-
Special Market Acc	184.8	195.0	-1.5	-
Japan Equity Acc	136.8	144.4	-0.7	-
North American Acc	102.3	108.0	+0.6	-
Pacific Acc	136.5	144.0	+2.3	-

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
NM Schroder	87.5	92.1	[illegible]	-
NM Schroder Pens	90.1	94.8	[illegible]	-
Norwich Union Asst Mgt	57.2	60.2	[illegible]	-
Royal Life (Unit Lnk Ass)	202.9	186.2		-
Scot Equitable (Life)	155.3	163.5	+0.3	-
Scot Equitable (Pens)	116.1	122.2	+0.2	-
Scot Mutual (Life)	163.3	171.9	+0.6	-
Scot Mutual (Pens)	149.9	157.8	+0.6	-
Scot Mutual Venture Fd	105.4	112.0	+0.4	-
Prudential Holborn	107.2	112.9	+0.4	-

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Magd Bond	182.3	191.9	-0.8	-
Target Magd Pension	110.2	116.1	-0.2	-
Albany Life Acc	164.0	172.6	-0.3	-
Albany Pens Acc	202.0	212.6	-0.5	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

6 Front St., [illegible]ton, HM11, Bermuda 809 295 4000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion			$-	10.0686	----	-

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

UK Agent: Ivory & Sime Plc, One Charlotte Square Edinburgh EH2 4DZ 031 225 1357

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GBC Nth America Inc*			C$-	2.60	----	-
Agnew Stlg Equin			£-	1.18	----	-

*Dealing Thursdays-Forward. Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

PO Box 255 St Peter Port Guernsey CI 0481 710651

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwest Bond Fund Inc			$-	1.22xd	1.29	-
Worldwest Cap Fd Acc			$-	1.27	1.37	-

BBV-Hambros Asset Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey CI 0481 710651

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bilbao-Vizcaya Euro	3	[illegible]	10.12	10.54	...	-

Baring Intl Fd Managers (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710651

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Money	3	£1.0266	1.0266	1.0572	(2)	12.86

Grofund Invest Managers (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey CI 0481 710651

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Grofund International Ltd						
Yen Int Equity Mgd	5	[illegible]	0.6914	0.7428	----	-
Int Equity Mgd	5	$0.6799	0.6799	0.7318	----	-
Ltr Cash	5	£-	-	-	----	-
£ Int Equity Mgd	5	£1.203	1.203	1.247	----	-
£ Intl Bond	5	£-	-	-	----	-

[illegible]

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

Continued on Page 31

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2 567	2 583	[illegible]	-
New Generation Fd $	$18 96	19 76		-
Japan Index Alpha	Y7 992	8 111		-
Jap Sector Rotation	Y6 369	6 463		-
Jap Gap Gwth CB	[illegible]	[illegible]		-
Saudi International (Guernsey) Ltd				
Intl Bond	$10.33	10 51		-
Intl Dollar	$10 35	10 31		-
Intl Equity	$10.54	10 90		-
Falcon High Income	$69.37	69 37		-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	3$-			-
Sovereign Asset Management Limited				
Olympic Options Ltd	£4 1694	4 4754		-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11 40	11 46		-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	5746			-
Fixed Income Shares	5868			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$9.96		-0 09	-
Yamaichi ISS Fund	$6 94		-0 05	-
Yamaichi CB Plus Fund	$7 7[illegible]		-0 07	-
Thai Inv Fund	$9 0[illegible]			-

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US Dlr Acc		$-	100 77			-
GAM Universal US Dlr Inc		$-	100 77			-
GAM Universal DM Acc		DM-	100 09			-
GAM Universal DM Inc		DM-	100 09			-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0 94	1 00		-

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street St Helier, Jersey						0534 76029
Stlg Fixed Int	5½	1 128	1 128	1 198		4 91
Off-Shore High Yield	3½	1 439	1 439	1 498	[illegible]	14 52
Global Equity Fund	5½	12 56	12 56	13 43	[illegible]	1 29
European Equity	5½	15 46	15 46	16 53	[illegible]	1 65
UK Growth (Ch Fund)	5½	3 968	3 968	4 244	[illegible]	77
Nth American Eqty	5½	8 377	8 377	8 922	[illegible]	83
Far Eastern Eqty	5½	8 661	8 661	9 263	[illegible]	59
Intnl. Bond Fund						
Sterling Managed	5½	9 857	9 857	10 507	[illegible]	8 08
US Dollar Managed	5½	13 15	13 15	13 96	-0 08	6 55
International Currency Fund						
Sterling Managed	5½	24 87	24 87	26 32		-
US Dollar Managed	5½	29 06	29 06	30.75	+0 01	-
Sterling	0	23 91	23 91	23 91	+0 02	13 48
US Dollar	0	37 26	37 26	37 26		6 93
Deutschmark	0	58 43	58 43	58 43	[illegible]	7 77
Japanese Yen	0	4 747	4 747	4 747		6 39
Swiss Franc	0	45 63	45 63	45 63	[illegible]	7 34
Irish Punts	0	21 63	21 63	21 63	[illegible]	7 85
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey						0534 73114
Jersey Gilt	5½	0 1682	0 1682	0 1773	[illegible]	11 51
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195 St Helier, Jersey						0534 27561
Lloyds Tst. Gilt	2½	9 155	9 173	9 413	[illegible]	11.98
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26 St Helier, Jersey						0534 37788
Intl Currency Portfolio	6	86 98	86.98	91.21	+0 25	0 00
Gilt	3	89 91	89 91	92.70	-0.26	12.41
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey						0534 76077
Govt Secs Fd	4	55 38	56 18	57 47	-0.13	11.31
TSB Trust Funds (CI)						
PO Box 538 St Helier, Jersey						0534 73494
TSB Offshore Investment Fund Ltd						
Stg Deposit Cues	3	101.73	101.73	104 70	+0.12	13.30
Gilt & Fixed Interest	5	100 71	100 71	103 76	+0 14	11 61
Star Cap & Gilt Egwd	5	44 16	44 16	46 88	-0 22	6 19
International Bond	5	100 56	100 56	105 60	+0 33	7 52
UK Equity	5	80 71	80 71	86 65	-0 48	1 62
International Equity	5	82 09	82 09	87 42	+0 17	0 43
Far Eastern	3	72 90	72 90	77 82	-0.51	0 00
European	5	71 63	71 63	75 64	[illegible]	0 42
Pan American	5	78 73	78 73	83.55	+1.00	0 79

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

هكذا من الأجيال

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling in demand

THE DOLLAR and sterling were in demand on the foreign exchanges yesterday as dealers looked for safe havens ahead of the United Nations deadline for Iraqi withdrawal from Kuwait.

The failure of [redacted] between the US and Iraq and of the weekend peace mission to Baghdad by Mr Javier [redacted] de Cuellar, UN secretary general, was followed yesterday by news that the Iraqi parliament had voted to defend militarily its hold on Kuwait.

World tension inevitably increased the appeal of the dollar, and Britain's position as an oil producer pushed sterling higher as North [redacted] oil prices climbed $3½ on the threat to supplies from the Middle East.

By the London close the dollar had climbed to DM1.5445 from DM1.5335; to Y135.00 from Y134.20; to [redacted] from SFr1.2795; and to FFr5.2375 from FFr5.2000. On Bank of England figures the dollar's index gained [redacted] to 62.0.

Sterling advanced to [redacted] highest level against the D-Mark [redacted], and continued to gain ground in the European Monetary System. Apart from the Gulf crisis, the pound was supported by high London interest rates and a general decline of the D-Mark [redacted] the Soviet Union.

This allowed sterling to shrug off [redacted] surprisingly strong UK retail sales in December. Analysts [redacted] the rise of [redacted] per cent – the largest [redacted] monthly gain since May [redacted] – was almost certainly an aberration and, given the depressed state of the [redacted]omy, is unlikely to herald an upturn in demand.

The pound shed 20 points to [redacted] against the firm dollar but rose to DM2.9425 from [redacted] moving [redacted] DM2.9500 central point [redacted] within the EMS exchange rate mechanism. Sterling also improved to [redacted] from FFr9.9175; to [redacted] from SFr2.4400; and to [redacted] from Y256.00. Its index closed 0.5 higher at the day's [redacted] of 94.2. In New York, the pound ended a [redacted] firmer at [redacted].

The D-Mark [redacted] the [redacted] that Soviet troops had killed demonstrators and occupied public buildings in the [redacted] republic of Lithuania. Fear that unrest in the Soviet Union would damage the trend towards liberalisation in eastern Europe, at a time when the market is already worried about the cost of German unification, put pressure on the German currency.

Within the ERM the French franc remained the weakest member, [redacted] the Danish krone and sterling. Lack of demand for the D-Mark kept pressure off the system. In Frankfurt the Bundesbank [redacted] intervene [redacted] dollar [redacted] at DM1.5476, [redacted] previous DM1.5353 and the highest fixing [redacted] October 2.

In Paris [redacted] D-Mark [redacted] fixed little changed at FFr3.[redacted], against FFr3.3920, but later lost ground to the franc. In Milan [redacted] German currency [redacted] to L751.70 from L[redacted] fixing.

EMS EUROPEAN CURRENCY UNIT RATES

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

IN NEW YORK

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Jan.11.

CURRENCY RATES

† European Commission Calculations. * All SDR rates are for Jan.11

OTHER CURRENCIES

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.39-5.34cpm. 12 Month [redacted]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 8-7¾ per cent; three years 8¼-8⅛ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LIFFE; CHICAGO; U.S. TREASURY BONDS (CBT); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); PHILADELPHIA SE £/$ OPTIONS; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	Yield	Open int.
March	[redacted]	[redacted]	-0.10	89.63	89.50	10.45	15,118
June	89.69	[redacted]	-0.10	89.69	89.68	10.38	4,700
September	89.79	89.73	-0.10	89.79	89.73	10.28	1,773
December	-	-	-	-	-	10.00	95

Estimated volume 7,250 Total Open interest 21,646

CAC-40 FUTURES (MATIF) Stock index

	Open	Sett price	Change	High	Low	Open int.
January	[redacted]	[redacted]	-61.0	1469.0	1437.0	7,382
February	1475.0	[redacted]	[redacted]	1475.0	1449.0	916
March	1485.0	1485.0	-	1485.0	1485.0	210
June	-	-	-	-	-	0

Estimated volume 10,212 Total Open interest 8,508

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9030	1.8934	[redacted]	1.8514	1.8127

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Mar	[redacted]	1.8900	[redacted]	[redacted]
Jun	[redacted]	[redacted]	[redacted]	1.8859
Sep	-	-	[redacted]	[redacted]

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	14	Nat. Bk. of [redacted]	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
● B & C [redacted] Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptns.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	[redacted]	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh.	[redacted]	[redacted] Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	[redacted]		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Short sterling rises

LONGER TERM [redacted] had a slightly firmer tone on the London money market, fearing the inflationary pressure of a war in the Gulf. However, short sterling [redacted] ignored this, concentrating on a [redacted] in demand for the pound.

There was little [redacted] to an unexpected [redacted] 1.9 per cent in December UK retail prices. Three-month sterling interbank was unchanged at 14-13¾ per cent, but 12-month money was quoted at 13½-13 per cent compared with 13¾-13.

UK clearing bank base lending rate 14 per cent from October 8, 1990

[redacted] sterling opened weaker on Liffe, but gained ground as the pound improved on rising oil prices. March delivery opened at [redacted] and touched a low of [redacted], close to a support level of [redacted]. The contract then [redacted] sharply as fear of war in the Gulf [redacted] oil prices, while unrest in the Soviet Union depressed the D-Mark, sending the pound higher. It rose to a peak of 86.91 and closed at 86.90 against [redacted] on Friday.

Day-to-day credit was in short supply on the London money market. The Bank of England initially forecast a shortage of £1,150m, but revised this to £950m at noon.

Total assistance of £[redacted] was provided. An early round of help was offered and at that time the authorities bought [redacted] bills outright, by way of £13m bank bills in band 1 at 13⅞ per cent and £[redacted] bank bills in band 2 at 13¾ per cent. Before lunch another £[redacted] bank bills were purchased in band 2 at 13⅞ per cent.

In the afternoon £146m bills were bought, via £24m bank bills in band 1 at 13⅞ per cent and £122m bank bills in band 2 at 13¾ per cent. Late assistance of around £[redacted] was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,357m, with the unwinding of bill repurchase agreements absorbing £922m and bank balances below target £25m. These outweighed exchequer transactions adding £435m to liquidity and a fall in the note circulation of £615m.

In Frankfurt call money [redacted] 8.60 from [redacted] per cent. [redacted] market reports [redacted] the Bundesbank [redacted] liquidity via money held by the central bank on behalf of public authorities.

In Amsterdam the Dutch central bank left its money market intervention rate at 8.80 per cent, when injecting liquidity through six-day special advances.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.14)	3 months US dollars		6 months US Dollars	
	bid 7¼	offer 7⅜	bid 7¼	offer 7⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

One month	6.34	Three year	7.37
Two month	6.45	Four year	7.62
Three month	6.31	Five year	7.78
Six month	6.50	Seven year	8.05
One year	6.61	10-year	8.19
Two year	7.14	30-year	8.37

Jan.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.65	8.90-9.00	9.10-9.25	9.20-9.35	9.35-9.50	8.50
Paris	[illegible]	[illegible]	-	10⅛-10⅜	-	9.25
Zurich	[illegible]	[illegible]	-	8⅛-8⅜	-	-
Amsterdam	[illegible]	9.25-9.40	-	9.35-9.50	-	-
Tokyo	[illegible]	[illegible]	-	8⅛-8⅜	-	-
Milan	[illegible]	[illegible]	-	13¼-13½	-	-
Brussels	[illegible]	[illegible]	-	10-10⅛	-	-
Dublin	[illegible]	[illegible]	11⅛-11¼	11⅛-11¼	11⅛-11⅜	-

LONDON MONEY RATES

Treasury Bills (sell); one-month 13⅜ per cent; three months 13⅜ per cent; six months 12⅞ per cent. Bank Bills (sell); one-month [illegible] per cent; three months 13⅜ per cent. Treasury Bills; Average tender rate of discount 13.0526 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for period Jan 26, 1991 to Feb 25, 1991. Scheme I. 14.54 p.c. Reference rate for period Dec 1, 1990 to Dec 31, 1990. Scheme IV&V: 13.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from January 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 11½ per cent; nine-twelve months 11½ per cent. Under £100,000 10½ per cent from Oct 8, 1990. Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,442 Set by HIGHLANDER

ACROSS

1 First of gourmets to call for game and beef (6)
4 Bob is one taking less lengthy route (5,3)
10 Is night vision affected? (7)
11 Heath [redacted] one [redacted] with injured leg (7)
12 [redacted] caterpillar eats (4)
13 Fighting fit, affording grounds [redacted] litigation (10)
15 Overdrawn: debts are horrid (6)
16 Potter's original demonstration (7)
20 The Tempest put on among a series of events (7)
21 Religious [redacted] abridged lazily but enthusiastically (6)
[redacted] A child to [redacted], not disorderly (10)
26 In hot, [redacted] weather, screening oil is [redacted] (4)
28 Wine [redacted] near its original [redacted] (7)
29 Move faster than when not in step together (7)
30 Eavesdropper's false statement about gun found by river (8)
31 Brother has to know it's smashed (6)

DOWN

1 Leaving heir with dubious [redacted]
[redacted] Old boy's [redacted] it, an unknown quantity in unclear [redacted] (9)
3 Very [redacted] time (4)
5 Difficult to take in every bit of one nautical line (8)
6 Strange current to local thinking (10)
[redacted] Caught arm in scale (5)
8 In a children's game, [redacted] and identified (6)
9 Basic raw materials kept on business premises (5)
14 Topping [redacted] for stopping further discussion (10)
17 Divert boundary line (9)
18 Make a suggestion that is deeply personal (8)
19 The French beginner first, then an Austrian [redacted]
22 Spoken by American leaders lacking ethics [redacted]
23 Old Italian house: a good place to eat cabbage (5)
25 Carries set books about (5)
27 The way I run [redacted] strong reaction [redacted]

Solution to Puzzle No.7,441

TIMEBOMB ASLEEP / ERNES REDUCTION / SNOWBALLS NEGRO / RIFLES NAIVETE / CREEPER TOCSIN / THETA ALMAMATER / LASHESOUT ANNUL / SPLASH GRADIENT

Continued on Page 31

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO
Closing prices January 14

MONTREAL
Closing prices January 14

INDICES

NEW YORK

DOW JONES	Jan. 14	Jan. 11	Jan. 10	Jan. 9
Industrials	2483.91	2501.49	2498.76	2470.30
Home Bonds	91.38	91.67	91.57	91.65
Transport	898.88	905.45	904.42	895.80
Utilities	201.65	204.35	205.55	204.85

STANDARD AND POOR'S

	Jan. 14	Jan. 11	Jan. 10	Jan. 9
Composite	312.49	315.23	314.53	311.49
Industrials	366.64	369.56	368.54	364.90
Financial	22.01	22.23	22.19	21.96
NYSE Composite	171.21	172.78	172.43	170.97
Amex Mkt. Value	296.72	[illegible]	299.01	298.12
NASDAQ Composite	355.75	361.80	361.92	357.45

	Jan. 11	Jan. 4	Dec 28	(approx.)
Industrial Div. Yield	4.13	4.02	3.9[illegible]	3.96

	Jan. 9	Jan. 2	Dec 26	(approx.)
S & P Industrial div. yield	3.52	3.35	3.3[illegible]	2.94
S & P Ind. P/E ratio	15.01	15.76	15.[illegible]	14.80

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Gp Pac	2,722,300	17⅝	+ ⅛
AT & T	2,006,600	29¼	- ⅛
Philip Morris	1,865,400	48⅞	- ⅛
IBM	1,746,500	106⅜	- 1⅛
Limited	1,406,400	19	- ⅝
Gen. Electric	1,378,900	54¼	+ ⅛
Wal-Mart	1,353,400	29⅛	- ⅝
Pepsico	1,344,400	24⅞	- ⅛
Coca Cola	1,298,700	44⅛	+ ⅛
Schering-Pl	1,290,500	41⅞	- 1⅛

TRADING ACTIVITY

† Volume		Millions Jan. 11	Jan. 10
New York	[illegible]	123.050	124.510
Amex	[illegible]	7.180	7.887
NASDAQ	(a)	107.649	110.143
Issues Traded	1,992	1,980	1,984
Rises	356	751	885
Falls	1,197	681	602
Unchanged	439	548	497
New Highs	10	13	5
New Lows	81	40	44

CANADA TORONTO

	Jan. 14	Jan. 11	Jan. 10	Jan. 9	1990-91 HIGH	LOW
Metals & Minerals	2691.03	2686.22	2694.71	2632.06	[illegible]	[illegible] (8/11/90)
Composite	3167.58	3183.59	3196.82	3169.64	[illegible]	3009.91 (16/10/90)
MONTREAL Portfolio	1692.78	1696.31	1706.91	1686.89	2060 [illegible] (3/1/90)	1607.24 (16/10/90)

Base values of all indices [illegible] except NYSE All Common – 50; [illegible] Toronto Composite and [illegible] 1000. Toronto indices based 1975 [illegible] 4/1/83. [illegible] excluding bonds. [illegible] Utilities, Financial and Tr[illegible] Unavailable.

TOKYO - Most Active Stocks
Monday 14 January 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	3.3m	1,180	-30	NKK	2.5m	389	0
Nippon Steel	3.8m	453	0	S'tomo Metal	2.3m	452	-4
Chiyoda Corp	2.7m	1,830	+30	Marubeni	2.3m	665	-19
C Itoh	2.6m	691	-29	M'bishi Heavy	2.2m	665	+2
Hitachi	2.6m	1,100	0	Daishowa Paper	1.6m	2,380	-380

AMEX COMPOSITE PRICES
4pm prices January 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 14

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
		– A – A – A –								
33½	9⅛	AAR	.48	4.7	8	1378	10¼	10	10⅛	– ⅛
8⅞	7¼	ACM	n1.03e	12.		177	8⅞	8¼	8¾	– ⅛
11⅞	8¼	ACMIn	1.26	12.		1008	10⅝	10½	10½	– ⅛
9⅛	6½	ACM M	n1.01	13.		252	7⅞	7¾	7⅞	
12¼	10	ACMMM	1.50	12.		279	12⅛	11⅞	12⅛	
11½	8⅝	ACM Sc	1.26	13.		1719	10¼	10	10	– [illegible]
9⅞	7¼	ACMSp	1.01	12.		979	8⅝	8½	8[illegible]	
26¾	17	AL Lab	.16	.7	18	262	22	21⅝	21[illegible]	– ⅛
4	1	AM Intl				134	1⅛	1	1	
18⅞	4⅞	AM In pf	2	26.		59	7½	7	7½	– ½
70¼	39¾	AMR			14	6334	46½	45	46¼	– ⅛
4	1¼	ARX				61	1⅜	1¼	1⅜	
72⅞	38¼	ASA	3	6.3		1904	48¼	47⅛	47⅞	+ ⅛
3½	1⅞	ATTC wt				205	3⅛	3	3	+ ⅛
46⅞	31¼	AbtLab	s.84	2.1	19	6034	40¼	39¾	39¾	– 1
14	9⅞	Abitibi	g .50			62	10	9⅞	10	
10⅞	4½	AcmeC	.40	8.0	11	47	6⅛	4⅞	5	
9¼	5	AcmeE	.32	6.1	9	6	5¼	5⅛	5¼	+ ⅛
32¼	18⅞	Acuson	s		20	1169	25¼	24⅞	25⅛	– ⅛
16⅞	14⅛	AdaEx	1.72e	12.		155	14½	14¼	14¼	– ⅛
14½	8⅝	Adobe				7	9	8⅞	8⅞	– ⅛
19⅞	16	Adob pf	[illegible]	11.		5	17⅛	17⅛	17⅛	
21⅝	18⅞	Adob pf	[illegible]	12.		33	20	19¾	20	+ ½
11⅞	3⅝	AMD				[illegible]	4⅞	4⅝	4⅝	– ⅛
32⅞	13	AMD pf	3	16.		32	20	18¼	18¼	– 1
7½	1⅝	Advest	.16	6.7		49	2½	2⅜	2⅜	– ⅛
56	29	AetnLf	2.76	7.9	8	1411	35	34⅜	34⅞	– ½
11⅝	[illegible]	AffPb	.24	3.4		405	7⅛	6⅞	7	– ⅛
22½	10⅝	Ahmans	.88	7.1	5	4220	12⅝	12	12⅛	– ⅛
3⅝	1⅞	Aileen			6	122	3⅛	3	3	– ⅛
61	42⅞	AirPrd	1.44	2.7	13	926	53⅛	53	53⅛	– ⅛
27	13½	AirFrt	s .30	1.8	8	524	17¼	16⅜	16⅞	– ⅜
20	11¼	Airgas			16	40	13	12⅞	12⅞	– ⅛
20⅛	10	Airlease	2.52	22.	6	38	11⅞	11½	11⅝	+ ¼
23⅝	21	AlaP	pf2.13e	9.6		36	22¼	22	[illegible]	– ⅛
10⅛	9	AlaP	dpf.87	9.1		18	9⅝	9½	[illegible]	
90	84¼	AlaP pf	8.28	9.4		2220	89	88½	[illegible]	– 1½
28	13⅞	AlskAir	.20	1.1	10	417	18¼	17⅞	[illegible]	– ⅜
19⅝	8	Albnyin	.36	3.3	14	28	10¼	10¼	10¾	+ ⅛
33⅞	19⅛	Alberto	s.20	.7	23	66	30¼	30	30¼	– ⅝

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8½	7	Pruint	.84	10.		1177	8¼	8⅛	8⅛	- ⅛
⅞	1-16	PruRIC			1	5	11-64	11-64	11-64	
6¼	3⅛	PruRI	.84e	19.		7	3½	3½	3½	- ⅛
25⅛	20	PSvCol	2	9.4	8	683	21⅝	21¼	21⅜	- ⅜
70½	71	PSCol pf7.15		9.5		z200	75	75	75	- ½
24⅛	21⅛	PSCol pf2.10		9.4		5	22⅝	22¼	22¼	- ⅝
4	1¾	vjPSNH				484	2⅜	2⅜	2⅜	
23¾	17¾	vjPSNH pf				z500	22½	22½	22½	
23¾	18⅞	vjPNH pfB				7	22½	22½	22½	- ⅛
23¼	17¼	vjPNH pfC				10	22½	22½	22½	- ¼
23¾	18½	vjPNH pfD				12	22½	22⅜	22⅜	- ⅜
23¼	17⅞	vjPNH pfE				35	22½	22¼	22½	- ¼
23⅛	18	vjPNH pfF				2	22⅝	22⅝	22⅝	- ½
23¾	18	vjPNH pfG				103	23	22½	22½	- ½
15½	8	PSvNM			14	435	8⅝	8¼	8⅝	
28	22½	PSEG	2.12	8.2	10	1766	25⅞	25⅝	25⅞	- ¼
49	45⅛	PSEG pf4.30		9.1		z50	47¼	47¼	47¼	
76	71⅛	PSEG pf6.80		9.1		z40	74½	74½	74½	-1
90	81	PSEG pf7.80		9.0		z170	87	86	87	- ½
88	82⅛	PSEG pf8.08		9.4		z200	86	86	86	-1
84⅛	77	PSEG pf7.40		9.1		z100	81	81	81	-1½
2½	1	Publick				14	1	1	1	
49⅞	39⅞	PR Cem	.90	2.2	6	6	41½	41½	41½	- ⅜
22	18⅝	PugetP	1.76	8.6	11	293	20⅝	20½	20½	- ⅜
10⅞	8½	PDPI	1.23a	13.		x390	9¾	9½	9⅝	- ⅛
12⅛	8¾	PDIf	1.31	14.		x218	9⅝	9⅝	9⅝	- ⅛
7⅛	4⅞	PHICB	.65a	17		x292	5⅞	5⅛	5⅛	- ⅛
9⅞	8⅛	PHYM	.81	9.7		x431	8⅜	8¼	8⅜	
9½	7⅛	PIGIT	.98	11.		x1577	9	8¾	8¾	
11⅝	10¼	PIGM	.89	8.0		x135	11¼	11⅛	11⅛	
9⅞	8½	PMMI	.79	8.2		x455	9¼	9⅛	9¼	+ ⅛
8⅞	6	PMOT	.87	13.		x1206	6⅞	6⅝	6⅞	
8⅝	6¼	PMIT	.83	11.		x1170	7⅛	7	7⅛	+ ⅛
8⅞	6	PPrIT	.90	13.		x4750	7⅛	6⅞	6⅞	- ⅛
[illegible]										
39⅝	29	Xerox	3	7.6		73476	39¾	39¼	39½	- ½
48½	42½	Xerox pf4.13		9.2		1	45	45	45	+1
32¾	13	XTRA	.72	4.8		387	15½	14⅞	15	- ⅛
25	12½	XTRA pf1.94		13.		1	15¼	15¼	15¼	+ ⅛
3⅝	5-16	Zapata				242	15-16	⅞	⅞	+1-16
6	3	Zemex				6	4⅛	4⅛	4⅛	- ⅛
12½	4	ZenithE				554	6¼	6½	6⅝	- ⅛
16⅝	9⅞	ZenNtl	1	7.8	8	116	13	12⅝	12⅝	- ⅛
7⅛	[illegible]	Zenix	.88	21.		187	4⅝	4½	4½	- ⅛
16¾	[illegible]	Zero	.40	3.6	12	41	11	10⅞	11	- ⅛
51⅛	[illegible]	Zurnin	.88	2.8	14	230	31½	31½	31½	
12	[illegible]	Zweig	1.07e	10.		327	10½	10⅜	10⅜	- ⅛
10	7⅞	ZweigTl	.96	11.		1463	9	8¾	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices January 14

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WisarO	.40a	[illegible]	14¾	d14½	14¾	+ ⅛
Wolohn	.28b	[illegible]	13	12⅞	13	- ⅛
WlvExp		[illegible]	2¾	d 2⅜	2⅜	- ⅛
WlvEx pf2.25		168	9	d 8¼	8⅞	- ¼
Worthg	.60	16 1114	21¼	20⅞	[illegible]	- ⅛
Wyman	.80	150	8⅝	6¼	[illegible]	- ⅛
-X-Y-Z-						
XL Dta		6 7	6½	6¼	6¼	
XOMA		1581	18¾	18	18½	- ⅛
Xilinx		351	14⅛	13⅞	13⅞	- ⅛
YanEnS	[illegible]	12 52	21	19¾	19¾	- ⅛
YelowF	[illegible]	31 988	27⅞	27½	27⅝	- ⅛
YorkRe		10 582	8⅝	8	8½	- ⅛
Zeos		16 141	15	14	14	-1¼
ZionBc	1.44	7 44	29⅞	28¼	28¼	-1¼

هكذا من الأصل

War or peace in the Gulf: advisers map out their strategies

FACED WITH the immediate prospect of war in the Gulf, European investment advisers have been formulating strategies – [illegible] of them more active than others – for their international institutional clients.

If it is to be war, Mr David Roche, strategist at the US-owned Morgan Stanley's London office, [illegible] oil price to rise to between $35 and $40 a [illegible] this year, declining to $18 to $25 in 1992. Global recession would be accompanied by heightened inflationary fears, tight money and high interest rates.

Eastern Europe would [illegible] rience extreme difficulties which, [illegible] Mr Roche, would [illegible] the [illegible] to restructure and solidify democratic regimes in former [illegible] countries. Western Europe would bear the financial weight of this process, implying restricted domestic growth, yet more corporate investment, "piles" of new equity issues and less investment liquidity with which to buy them.

His limited portfolio strategy for the war scenario is to keep [illegible] in cash and gold, waiting to buy bonds [illegible]. Meanwhile, they should pick up a few [illegible] "oil in the ground" stocks, [illegible] as Saga, of Norway, and Elf Aquitaine, of France, and [illegible] European reconstruction [illegible] such as Mannesmann, of Germany.

In the event of peace, oil would fall to $18 a barrel this [illegible] and be at $21 next, [illegible] Mr Roche. "Before long," he [illegible] "the euphoria of [illegible] will wear off as the perception [illegible] of increased political risk in the Middle East." But he would predict global bond and equity rallies, led by the Far East, though Europe would do well, particularly in cyclical stocks such as Lufthansa, Thyssen and big chemicals.

At B Metzler, in Frankfurt, Mr Werner Wanke says that most of his clients have been very defensive for several months. "August 2, the day of the invasion of Kuwait, accelerated all the correction processes in the market from six months to six weeks," he says. "There is no speculative overhang at the moment," he adds. "On the contrary, a lot of people are very short." If there was no war threat, he thinks [illegible] bond yields should [illegible] 100 basis points lower than they are and equities should benefit accordingly. "If there is war," he says, "this will [illegible] indicate a new trend in equity markets, but merely an [illegible] of the existing [illegible]." [illegible] highs for bond yields and new lows for the equity market would still be in order.

In Paris, the opinion is that, [illegible] the [illegible] of the [illegible] because [illegible] problems other than the Gulf, such as 1990 corporate earnings and the sharp slowdown in economic growth," he says. He points out that, from a technical standpoint, the market looks good value, but does not anticipate a [illegible] rally within the first [illegible] of the year.

Mr Rob Sweerts at Banque Paribas Nederland feels the Dutch market anticipated a negative [illegible] in the Gulf by dropping 2.8 per cent yesterday. He expects it [illegible] fall [illegible] a further 5 to 10 per cent with [illegible] a sharp rise in short-term interest rates if war [illegible]. Share prices should bounce [illegible] after a couple of days as institutions buy quality stocks, such as Unilever, other food companies and publishers at lower levels. However, Mr Sweerts warns that a lengthy war would lead to another downturn. "The consensus is the market, in spite of what defence strategists say, is that it will be a quick war which will be over in a matter of days or weeks," he says.

Reporting by William Cochrane, Jacqueline Moore and Antonia Sharpe

in the event of war, the immediate reaction of the French [illegible] would be the same as that of the other [illegible]. One analyst says: "We expect the market to fall, on the assumption that the oil price will rise fairly sharply, but then expect [illegible] should recover." He says that there could be further [illegible] of 5 per cent on the [illegible] gunshot.

Mr David Harrington of DLP [illegible] Capel, in Paris, says investors must be prepared for a very volatile six months. "Even if the war is over quickly, it will not be a joyride [illegible]."

The picture is similar in Milan, although brokers have noticed lively buying of February call options in leading stocks such as Montedison, Fiat and Generali, which anticipate a bounce in the market within one month. However, a broker points out that foreign institutions are unlikely to return to the market in a big way in the event of a bounce, because the economic fundamentals of the Italian market are still poor.

Mr Paul Farrow, head of research at FG Inversiones Bursátiles, the Spanish brokers, also expects an immediate fall of 5 per cent if fighting begins. After that, he expects the Madrid market to recover. "I get the feeling that there are a lot of people looking to buy, who are just trying to pick the bottom," he says.

If Saddam agrees at the last minute to withdraw peacefully, however, he expects the market to rise sharply and then fall back, as investors take advantage of the rally to realise their profits. "The market will either go up and then down, in the case of withdrawal, or down and then up, in the event of war; in either case there will be a fairly strong correction," he predicts.

Back in London, Mr Roger Palmer of Kleinwort Benson says this is one of the rare occasions where action on the axiom, "buy on the bullet", would be a mistake. "Even though equity markets, broadly speaking, look cheap," he adds, "in the event of war I would expect last October's lows to be retested."

Even in the event of new 1990-91 lows, investors should be ready to move. "In today's thin markets," says Mr Palmer, "they will need to get their money to work before the low, during the low and immediately after it." He expects that European equities would move very fast, with both the downside and upside exaggerated.

If war is avoided, he adds, equities will move up strongly, but from a higher base. In either case, he thinks that bourses will then fall back as people refocus on recession.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	-4.72	-12.09	-24.77	-6.71	-7.53	-6.68
Belgium	-2.45	-6.11	-29.36	-3.17	-3.51	-3.01
Denmark	+0.43	-8.78	-19.01	-2.29	-3.16	-4.36
Finland	-5.54	-8.13	-38.49	-8.67	-8.75	-9.88
France	-2.10	-8.73	-26.38	-1.09	-1.93	-3.14
Germany	-1.47	-8.91	-24.02	-1.60	-2.72	-3.98
Ireland	-1.87	-10.33	-26.32	-4.95	-5.53	-6.70
Italy	-3.61	-9.01	-32.65	-2.33	-3.17	-4.37
Netherlands	-1.22	-1.45	-17.75	-1.12	-2.18	-3.39
Norway	-3.55	-9.97	-21.34	-6.59	-7.15	-8.31
Spain	-2.04	-8.25	-26.26	-2.39	-2.24	-3.46
Sweden	-1.21	-7.73	-15.97	-5.70	-4.08	-5.27
Switzerland	-2.83	-6.13	-26.95	-3.73	-3.45	-4.64
UK	-0.91	-2.78	-14.50	-1.80	-1.80	-3.02
EUROPE	-1.56	-5.34	-21.24	-1.95	-2.37	-3.59
Australia	-0.58	-8.49	-25.78	-4.19	-2.66	-3.86
Hong Kong	-0.21	-2.68	+3.96	+0.48	+2.17	+0.69
Japan	-3.05	-5.50	-40.20	-2.48	-0.44	-1.68
Malaysia	-3.23	-3.34	-15.97	-5.25	-5.25	-6.42
New Zealand	-4.71	-4.05	-42.68	-4.62	-2.82	-4.05
Singapore	-1.20	-1.14	-23.35	-0.39	-0.18	-1.42
Canada	-0.80	-1.60	-15.87	-2.16	-0.24	-1.46
USA	-1.97	-3.64	-9.81	-4.60	-3.40	-4.60
Mexico	-3.83	-7.22	+82.12	-4.42	-3.24	-4.44
South Africa	-0.67	+0.39	-18.78	-1.03	+0.91	-0.34
WORLD INDEX	-2.15	-4.66	-25.08	-3.09	-1.89	-3.20

† Based on January 11th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

AMERICA

Iraqi withdrawal hopes spur rally

Wall Street

AN EQUITIES market deeply worried at the possibility of war in the Gulf and down 41 Dow industrial points an hour before yesterday's close, subsequently staged a 24-point rally on reports that Iraq is willing to consider a withdrawal from Kuwait if the US and its allies do not insist on a deadline, writes [illegible] in New York.

The Dow Jones Industrial Average was finally 17.36 off at 2,483.91 after the news report had stimulated a round of buying. Other indices also recovered well late in the day. The broader-based Standard & Poor's 500 ended down 2.75 at 312.49 and the Nasdaq composite of over-the-counter stocks lost 6.06 on balance at 356.71.

New York SE volume was light at 132.8m shares, with investors unwilling to move much around ahead of the Tuesday night United Nations deadline for Iraq to quit Kuwait.

Rising crude oil prices and a big drop in stock index futures had earlier exacerbated the downward pressure on equities. In late trading, a barrel of crude oil for delivery in February was up [illegible] at $29.90.

The corporate reporting season kicked off with some poor earnings figures from US commercial banks. The most significant was J.P. Morgan, which reported a 21 per cent rise in fourth quarter net income to $191m. The good news helped Morgan shares fight off wider market trend to end the day unchanged at $45.

Chase Manhattan, down 8½ at $10⅞, reported fourth quarter, [illegible] provisions and earnings of $193m, leaving the group with a loss of [illegible] for 1990. First Chicago announced a final quarter profit of $[illegible] (down from [illegible] at the same stage in 1989). Its shares initially lower before closing steady at $16⅜. [illegible] Financial declined 9¾ to $19⅝ after the Pennsylvania-based banking group said it expected a [illegible] for the final three months of 1990.

The country's largest bank, Citicorp, is due to report figures today. Analysts are predicting disappointing profits for the final quarter, and yesterday the bank's shares lost 3⅜ to $11⅞ in anticipation.

[illegible] oil stocks drew strength from the rise in crude prices. Occidental, which yesterday announced an ambitious restructuring programme and planned asset sales of $3bn, rose ⅜ to $17⅜.

Mobil added 1⅞ at $56⅜, Texaco 3⅛ at $61¼ and BP 2⅛ at $77⅝.

The one other sector to post gains was gold, benefiting from the rise in the bullion price. Battle Mountain Gold firmed ⅜ to $7⅞, Homestake Mining also ⅜ to $18⅝ and Newmont Gold ⅜ to $41⅜.

Canada

TORONTO stocks finished well above the day's worst, helped by the late report that Iraq might be willing to pull out of Kuwait. A sharp rally in US bonds from earlier lows also gave late support.

The composite index lost a mere 16.0 at 3,167.6 after having been down 29 points earlier. Declines led advances by 352 to 118 after a moderate volume of 21.5m shares, against last Friday's 16.1m.

Although the world prices of gold and oil surged yesterday, their respective stock groups enjoyed less success. Gold stocks were finally up just 0.1 per cent on index, while the oil sector fell 0.35 per cent.

EUROPE

Bourses fall as UN deadline nears

THE APPROACH of the United Nations deadline for Iraqi withdrawal and the Soviet assault in Lithuania drove several bourses to 1990/91 lows yesterday. Paris and Milan reached depths last seen in 1986, writes Our Markets Staff.

In London, the FT-SE Eurotrack 100 index fell 19.58 to [illegible] finishing 23.69, or 2.8 per cent lower at 904.17.

Shares hit hardest by the dollar, gold and oil, cigarette and all futures, February [illegible] futures rising [illegible] by the thought that a prolonged Gulf war could take oil to $[illegible] a barrel.

FRANKFURT'S FAZ index, down 12.95 at 551.27 at midsession, stayed at its low of September 28, 1990, but the DAX, 54.46 or 3.9 per cent lower at 1,327.50, broke below the nadir of the same date.

Turnover dropped from DM5.1bn to DM4bn. The Gulf uncertainty gave banks a bad day. Dresdner leading the way down with a drop of DM16.70 to DM322.50 and Deutsche Bank falling DM26.50 to DM580.

Carmakers were also weak, Volkswagen dropping DM18.40 to DM306.50 and Porsche DM25 to DM650, although there was talk in the trade press of a higher dividend from the luxury car maker.

MILAN slumped 3.1 per cent on options expiry day. The Comit index fell 15.52 to 494.05, the lowest level since June 17, 1986, in volume estimated at L100bn. Consob, the market's regulator, said that it was considering various intervention measures, including a halt to trading, if war in the Gulf led to excessive volatility.

Industrial blue chips were hard hit, with Fiat losing L187 or 3.5 per cent to L5,192 and Generali down L890 or 3 per cent at L28,500. Enimont was supported by the ongoing offer to swap shares in the chemical group for ENI bonds with a face value of L1,650. The stock slipped a marginal L2 to L1,586.

PARIS fell 3.6 per cent to a two-year low, as the CAC 40 index dropped 53.77 to 1,441.17, its worst level since December 1988. Turnover was moderate, estimated at more than Friday's FFr1.6bn.

Blue chips were sold because of their liquidity, with Alcatel-Alsthom losing FFr22.10 to FFr485.90, Société Générale falling FFr28 to FFr215 and Paribas off FFr21.50 at FFr355.50. Companies with a poor fundamental outlook fell even further, as Havas dropped FFr30 or 7.4 per cent to FFr373.

Elf Gabon, the oil producer, was one of the few highlights, rising FFr52 to FFr1,540.

AMSTERDAM fell to its lowest level since Iraq invaded Kuwait on August 2. The CBS Tendency index fell to 75.3 before closing 2.2 lower at 75.8, down 2.8 per cent. Nedlloyd, the shipping and transport group, opened at F136 after a Dutch newspaper said that the company's 1990 loss would run to tens of millions of guilders, but it recovered to close 40 cents lower at F138.30.

ZURICH dropped in active trading, [illegible] Crédit Suisse index losing 11.8 or 2.7 per cent to 426.6. Union Bank dropped SFr60 to SFr2,490; its chairman was reported as saying that a 1990 dividend cut was unlikely in spite of expectations of a 10-20 per cent profits fall.

MADRID also declined, with the general index losing 4.7 or 2.2 per cent to 212.70.

STOCKHOLM was led lower by Astra after it said that US regulators had proposed only a limited expansion of the use of its ulcer drug, Losec. The free B shares fell SKr25 or 5.7 per cent to SKr410. The Affärsvärlden General index dropped 19.9 or 2.4 per cent to 813.2.

OSLO fell to its lowest level since 1989. The all-share index fell 5.17 to 413.12 in turnover of NKr699m, of which NKr500m comprised Norsk Hydro's purchase of 10 per cent of Orkla.

ISTANBUL gained 3.8 per cent, the index adding 32.99 to 3,367.52 in thin trading. One dealer said that the rise might have been due to the different approaches of brokerage houses, and banks.

ASIA PACIFIC

Nikkei down moderately in light volume

Tokyo

INVESTORS retreated to the sidelines yesterday on concern over developments in the Gulf and Lithuania, and the Nikkei average closed moderately lower after first market volume down to only 180m shares from Friday's 350m, writes Emiko Terazono in Tokyo.

The Nikkei of 225 constituent stocks registered a net decline of 27.79 at 23,213.23 after opening at 23,197.96 and falling to the day's low of 22,911.15 on small-lot selling by jittery investors.

Losses outnumbered gains by 517 to [illegible], and 193 issues remained unchanged. The Topix index of all first section stocks, however, gained 3.88 to [illegible] but in London trading the ISE/Nikkei 50 index [illegible] 21.05 to 1,299.27.

Most investors in Tokyo remained inactive before today's national holiday and the United Nations deadline for Iraq to [illegible] from Kuwait. [illegible] [illegible] that investment [illegible] started bargain hunting in the afternoon, however, which [illegible] high-technology [illegible] in particular. [illegible] Electronic [illegible] 140 to Y4,220.

Precision [illegible] with high [illegible] [illegible] rose on a weaker yen. Nikon added Y20 at Y1,090 and Canon Y20 at Y1,250.

Concern over the situation in Lithuania, and reports that the European Community may reconsider its aid programme to the Soviet Union, hurt stocks that had been popular recently ahead of President Mikhail Gorbachev's planned visit in April. Trading house [illegible] dropped Y29 to Y691.

The paper and pulp sector was the largest loser of the day, falling 1.9 per cent. Honshu Paper, a favourite of speculators last year, was the day's most active stock, falling another Y30 to Y1,160. Daishowa Paper, which bought the Rodin sculpture "the thinker", weakened Y330 to Y2,390 on concern over margin positions. The company's profits for the year to March 31 are expected to show a fall.

Arabian Oil lost Y150 to Y7,100, falling for the first time in four days. While production has been maintained at normal levels until this month, it will be reduced by one third owing to the lack of ships coming into the Gulf [illegible].

Matsuzakaya shed [illegible] to Y3,840. The company [illegible] that it will privately [illegible] Y5bn in bonds to [illegible] funds for building new stores. It [illegible] difficulty in raising funds through equity financing since its stock price had surged on buying by Shuwa, a real estate and stock investor.

In Osaka, the OSE average gained [illegible] to 24,306.29 on volume of [illegible] shares. Nintendo recovered from profit-taking, rising Y100 to Y18,000.

Roundup

THE TREND in the Pacific Rim was downwards, although bargain hunting lifted markets off their early lows, and some finished higher.

AUSTRALIA fell to a three-year low, the All Ordinaries index losing 13.6 to 1,231.3, while turnover shrank to A$[illegible] from A$[illegible].

The transport sector declined sharply on fears of higher oil prices. TNT fell 9 cents, or 8.6 per cent, to a six-year low of A$1.14 with 1.22m shares traded. News Corp dropped 68 cents to A$4.90 after weekend reports that the company would not be able to meet loan payments to June [illegible] a bank refinancing [illegible].

NEW ZEALAND dropped to a [illegible] [illegible] in thin trading. The Barclays index fell [illegible] to 1,158.08 in turnover of NZ$4m, down from [illegible].

Higher [illegible] interest rates added to the pessimistic mood.

HONG KONG fell but finished above its lows, the Hang Seng index ending 20.75 down at 3,037.62, after losing 43 points in the first 45 minutes. Turnover remained light at HK$495m, after HK$486m.

SINGAPORE'S market rose slightly, although losing issues outnumbered winners. The Straits Times Industrial index added 1.84 at 1,177.52 in turnover of S$85m, after S$[illegible].

KUALA LUMPUR'S composite index eased only 0.67 to 481.44 in spite of Gulf worries and confirmation that the finance minister wants to resign.

MANILA advanced 3.1 per cent on hopes of a diplomatic solution to the Gulf crisis. The composite index rose 18.37 to 605.21. TAIWAN put on 1.5 per cent on institutional bargain hunting. The weighted index added 51.60 at 3,591.31.

SOUTH AFRICA

[illegible] SHARES jumped as bullion prices rose towards [illegible] yesterday on prospects of war in the Gulf and the fighting in Lithuania. The Johannesburg all-gold index added 61 to [illegible], but the industrial index slid 15 to 2,878.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, [illegible] & Co., and County NatWest/Wood Mackenzie in conjunction with [illegible] Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	[illegible] JANUARY 14 [illegible]								[illegible]					DOLLAR [illegible]		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound [illegible]	Yen [illegible]	DM [illegible]	Local Currency Index	Local % chg on day	Gross Div. [illegible]	US Dollar [illegible]	Pound Sterling [illegible]	Yen Index	DM [illegible]	Local Currency [illegible]	1990/91 [illegible]	[illegible]	Year ago (approx)
Australia (75)	114.05	-0.3	88.76	97.32	[illegible]	[illegible]	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	91.16	[illegible]	[illegible]	113.10	[illegible]
Austria (19)	171.22	-3.7	133.25	146.12	[illegible]	137.27	-3.3	[illegible]	177.72	[illegible]	[illegible]	[illegible]	[illegible]	285.63	[illegible]	[illegible]
Belgium (60)	123.52	-2.0	[illegible]	[illegible]	99.18	[illegible]	-1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	160.02	123.52	157.53
Canada (116)	127.40	-0.2	[illegible]	108.71	102.29	[illegible]	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (32)	220.58	-1.2	171.57	188.24	177.12	[illegible]	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	217.74	247.66
Finland (22)	91.47	-1.1	71.19	[illegible]	73.45	71.35	-0.3	4.25	92.53	[illegible]	[illegible]	[illegible]	71.54	[illegible]	[illegible]	140.85
France (113)	121.85	-3.4	94.83	[illegible]	97.84	100.11	-2.7	4.11	[illegible]	[illegible]	107.03	[illegible]	[illegible]	[illegible]	[illegible]	153.90
Germany (88)	104.34	-2.8	[illegible]	89.05	[illegible]	83.78	-2.0	[illegible]	[illegible]	[illegible]	91.05	85.50	85.50	[illegible]	101.38	127.96
Hong Kong (48)	122.01	-1.0	[illegible]	104.11	97.97	122.20	-1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	112.24	[illegible]
Ireland (16)	134.84	-2.4	104.94	115.07	[illegible]	110.21	-1.2	[illegible]	[illegible]	[illegible]	117.21	110.08	111.57	198.57	134.84	193.24
Italy (91)	72.05	-4.0	[illegible]	[illegible]	[illegible]	62.42	-3.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.05	100.70
Japan (453)	123.51	-0.5	96.12	105.40	[illegible]	[illegible]	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106.58	187.59
Malaysia (34)	199.02	+0.2	154.89	[illegible]	[illegible]	208.72	+0.2	3.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	229.13
Mexico (12)	548.81	-1.1	427.12	[illegible]	[illegible]	1774.09	-1.1	0.39	[illegible]	[illegible]	[illegible]	442.08	[illegible]	[illegible]	324.53	326.43
Netherland (41)	128.28	-2.0	98.28	[illegible]	[illegible]	100.32	-1.3	5.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	138.53
New Zealand (15)	[illegible]	-2.0	[illegible]	[illegible]	[illegible]	[illegible]	-1.7	9.12	[illegible]	[illegible]	35.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (30)	183.80	-0.7	143.04	[illegible]	147.59	[illegible]	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	183.80	214.83
Singapore (25)	156.29	-0.6	121.64	133.37	[illegible]	127.01	-0.3	3.30	157.27	122.27	[illegible]	125.30	[illegible]	209.24	[illegible]	185.27
South Africa (60)	184.89	+0.5	143.89	157.77	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	151.50	227.80
Spain (41)	131.83	-2.7	102.59	112.50	[illegible]	96.92	-2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	128.54	158.70
Sweden (27)	148.06	-3.1	115.23	126.35	[illegible]	125.65	-2.6	3.25	[illegible]	118.75	[illegible]	[illegible]	[illegible]	234.93	146.60	[illegible]
Switzerland (65)	82.79	-2.4	64.43	70.68	[illegible]	[illegible]	-2.2	[illegible]	84.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	96.92
United Kingdom (297)	158.40	-1.3	123.27	135.16	127.18	[illegible]	-1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	176.18	[illegible]	[illegible]
USA (526)	126.32	-0.8	98.31	[illegible]	101.43	[illegible]	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	101.57	[illegible]	[illegible]	119.06	136.41
Europe (942)	126.62	-2.2	98.[illegible]	[illegible]	101.68	[illegible]	-1.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	124.91	[illegible]
Nordic (111)	156.17	-1.9	121.54	133.27	[illegible]	[illegible]	-1.3	[illegible]	159.17	[illegible]	[illegible]	[illegible]	[illegible]	223.29	155.55	195.38
Pacific Basin (650)	122.76	-0.5	95.54	104.76	[illegible]	[illegible]	+0.1	[illegible]	123.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	183.67
Euro–Pacific (1592)	124.65	-1.2	97.01	106.36	100.09	[illegible]	-0.7	2.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	174.18	116.03	[illegible]
North America (642)	126.29	-0.9	[illegible]	107.78	101.42	[illegible]	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	101.52	[illegible]	[illegible]	119.26	137.06
Europe Ex. UK (645)	107.42	-2.8	[illegible]	[illegible]	[illegible]	[illegible]	-2.2	[illegible]	[illegible]	[illegible]	93.80	[illegible]	88.83	[illegible]	107.42	[illegible]
Pacific Ex. Japan (197)	113.26	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	136.60
World Ex. US (1780)	125.57	-1.1	97.73	107.17	[illegible]	104.74	-0.7	[illegible]	127.01	98.74	[illegible]	101.19	[illegible]	173.77	117.12	[illegible]
World Ex. UK (2009)	121.56	-1.0	[illegible]	103.74	[illegible]	110.26	-0.7	2.81	122.82	95.48	[illegible]	97.86	111.05	162.00	115.37	[illegible]
World Ex. So. [illegible]	124.47	-1.1	[illegible]	[illegible]	[illegible]	111.38	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	161.84	118.04	155.26
World Ex. Japan (1853)	[illegible]	-1.4	98.65	[illegible]	101.80	114.72	-1.2	4.31	[illegible]	[illegible]	[illegible]	[illegible]	116.14	[illegible]	124.31	140.81
The [illegible] Index (2306)	[illegible]	-1.1	[illegible]	[illegible]	[illegible]	111.55	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	112.41	[illegible]	118.33	155.70

FT LAW REPORTS

Co-insurer is not liable on double insurance claim

LEGAL & [illegible] SOCIETY v [illegible] CO LTD
Court of Appeal (Lord [illegible] Lloyd, Lord Justice [illegible] and Lord Justice Ralph Gibson): December [illegible] 1990

AN INSURER'S [illegible] of contribution against a co-insurer in respect of a paid-up claim is not excluded by the insured's failure to notify the co-insurer of a potential claim, though such failure is a breach of condition under the policy, because the breach occurs [illegible] crystallisation of the right to [illegible] on the date of the relevant loss. [illegible] where the insurer's policy provides that in a double-insurance [illegible] he shall only be liable for his [illegible] proportion of the loss, his right to contribution is [illegible] not only in respect of that net liability, but also in respect of any payment made voluntarily in excess of the rateable proportion.

The Court of Appeal so held when allowing an appeal by [illegible] defendant co-insurer, *Drake [illegible] Co Ltd*, from the judgment of Mr Roger Buckley QC sitting as a deputy Queen's Bench [illegible] on July 7 [illegible] that the plaintiff insurer, Legal & General [illegible] Society Ltd, was [illegible] to contribution from [illegible] in respect of a [illegible] claim.

[illegible] LLOYD said that on June 14 1976 a Mr Arora was driving his car when he [illegible] with a pedestrian, causing him serious injury.

Mr Arora was covered by two policies. The first was issued by Legal & General, and the second by Drake.

On December 5 1977 Legal & General informed [illegible] of the existence of the pedestrian's claim. On December 23 Legal & General reasonably settled the claim for [illegible]. On March [illegible] 1983 the court approved the compromise. On June 1 1984 Legal & General commenced contribution proceedings against Drake.

On assumed facts, if there were two insurances in the same [illegible] on the same subject matter, each covering the same risks, and the assured recovered 100 per cent from insurer A, insurer A could recover half from insurer B.

The right of contribution was based not in contract, but on the equity that burdens should be shared equally.

If each policy provided that claims must be notified within 14 days and the assured gave notice within that time to A, failure to notify B would not deprive A of his right of contribution. It would be inequitable for B to receive the benefit of the premium without being liable for [illegible] of the loss.

The [illegible] at which to determine whether the conditions for existence of the equity of contribution were satisfied, was when the assured was assumed to exercise his choice between claiming against A or B, namely the date of loss.

[illegible] giving notice was a condition precedent to liability it was enough that B was potentially liable. If the contract [illegible] *initio*, or if the [illegible] was in breach of [illegible] or had repudiated the contract *prior* to the loss, it was as if B had [illegible] on risk.

The distinction between breach of condition prior to loss and subsequent breach, was *crucial*. The *right* to contribution crystallised at date of loss.

On the assumed facts, A could recover 50 per cent contribution from B, though the [illegible] failure to give notice to B was characterised by the policy as breach of condition precedent.

In [illegible] *[1931] 1 KB* [illegible] the policy provided that if there was "any other existing insurance covering the same loss" [illegible] a claim [illegible], the insurer was not liable for more than its rateable proportion of [illegible]. As to whether there [illegible] "any other existing insurance", Mr Justice [illegible] said [illegible] position [illegible] "to be regarded as at before the time for giving notice expired".

His observations supported the view that [illegible] looked at the position, [illegible] when A sought to [illegible] his right to contribution, but when the loss occurred.

In [illegible] *[1971] 1 Lloyd's Rep* [illegible] in the Mayor's and City of London Court, the judge rejected a claim for contribution. He said it could not be equitable [illegible] an insurer "which had no notice of an accident, had no say in the handling of the claim, and for whom . . . there was no opportunity 'to investigate the rights or wrongs of it', should be called on to make a contribution in a case where it would quite clearly have had the right to repudiate if the claim had been brought under the terms of its own policy".

That reasoning was not convincing. The fact that a co-obligor had no "say in the handling of the claim" had never been an answer to a claim for contribution. As to the right to repudiate, [illegible] would have been a good [illegible] if the [illegible] had been in breach of condition *prior* to the loss.

Failure to distinguish [illegible] of condition prior to the loss and subsequent breach by failing to give notice in time, vitiated the judge's conclusion.

Monksfield [illegible] wrongly decided and should be [illegible] ruled.

In the present case the policies [illegible] a condition that immediate written notice should be given of an event which might give [illegible] a claim, and [illegible] should [illegible] a condition [illegible] to liability.

Both policies provided that if [illegible] was "any [illegible] covering the [illegible]" when the claim [illegible], the insurer would not pay or contribute more than [illegible] proportion.

But for the [illegible] proportion [illegible] Legal & General was entitled *to contribution* for the reasons given [illegible] dealing with the assumed facts. The judge [illegible] the right conclusion on the case as presented [illegible] him.

On the appeal Mr [illegible] sought to rely on the *rateable proportion* [illegible] in the Legal & General policy, raising the point for the first time.

Since there was "another insurance covering the same loss" [illegible] the claim arose, Legal & General was [illegible] liable for [illegible] than 50 per cent of the loss. The point was precisely covered by Mr Justice Rowlatt's observations in *Weddell*.

Was it possible for Legal & General now to recover the 50 per cent which it need not have paid?

Mr Woods argued that the [illegible] 50 per cent was a voluntary payment. He said that since the right of contribution [illegible] insurer had been *obliged* under his policy to pay more than his rateable proportion, Legal and General could not recover the excess – the rateable proportion clause excluded the right of contribution.

Under section 149 of the Road Traffic Act 1972 a third party who had obtained judgment against an assured in respect of a liability required to be insured under the Act, could enforce the judgment against the insurer, notwithstanding a rateable proportion clause. Assuming that settlement followed by court approval was a "judgment", it could be argued that Legal & General was compelled to pay the whole claim, in which case the excess over 50 per cent was not a voluntary payment.

The difficulty with that argument was [illegible] Legal & General, though obliged to pay the [illegible] claim, [illegible] to recover the excess over 50 per cent from Mr Arora [illegible] section 149(iv)). It followed that, so far as Drake was concerned, the [illegible] over 50 [illegible] a voluntary payment.

[illegible] was no answer to that difficulty. Nor could Legal & General recover from Drake half the 50 per [illegible] which was [illegible] liability [illegible] Mr Arora, whether by way of contribution or on any other [illegible].

Drake was [illegible] to [illegible] on the new point.

The [illegible] was [illegible].

LORD JUSTICE [illegible] GIB[illegible] agreed that the appeal should be allowed, but on the ground argued for Drake at trial as well as on the new point.

He said that in [illegible] Mr Justice Rowlatt made no [illegible] *reference* to the principle of contribution.

For Drake to be held liable to Legal & General in [illegible] with the [illegible] of the judge below, gave Legal & General relief to which it was not entitled under its contract with Mr Arora.

LORD JUSTICE NOURSE agreed that the appeal should be allowed for the reasons given by Lord Justice Lloyd.

For Drake: Jonathan Woods (Stevensons).
For Legal & General: Jonathan Playford QC, Laurence West and Leon Viljoen (Lawrence Graham).

Rachel Davies
Barrister

Continued on Page 41

FINANCIAL TIMES SURVEY

WORLD INDUSTRIAL REVIEW

SECTION III

Tuesday January 15 1991

The cycle is still turning

INDUSTRY began last year on the crest of the wave of revolutions which had swept communism from power in eastern Europe. The events of 1989 had capped the long economic expansion of the previous decade.

But in 12 months the confidence bred by the historic triumph of markets over planning has almost evaporated. Industry enters 1991 beset by uncertainty. The business cycle has not been abolished, after all.

The gloom gathering above industry has come from several sources: the instability of financial sectors in the US and Japan, the rise in oil prices and the threat of war in the Gulf, the disarray in the Soviet Union and the collapse of the Gatt talks on world trade.

It is taking its toll on national economies and across industrial sectors internationally. Recession already grips Australia, the UK and the US. Growth is set to slow in other economies such as France and Italy, while Germany and Japan are still forging ahead, at least for the moment.

Sectors such as automobiles, construction, steel and chemicals have all passed the high points in their cycles. Aviation and aerospace have been hit by the rise in oil prices and doubts over future levels of defence spending. In others the outlook is becoming clouded.

Slower growth will bring with it important challenges to companies and their managers. *Some of the habits developed during the years* of plenty will have to be renounced. Executives at groups which have expanded internationally in the last decade will face a particular test of their management skills.

Companies which cut back on investment in product development will risk losing positions which they will find hard to regain once stronger growth resumes. It may be more difficult than it was a decade ago to identify the potential for rapid productivity gains.

In short, the looming downturn will be a test of how far the much vaunted strategies pursued in the 1980s have turned companies around and how much still needs to be done.

Charles Leadbeater

Design: Richard Schofield, Philip Hunt
Graphics: Bob Hutchison, Graham Lever
Illustrations: James Ferguson
Editorial production: Gabriel Bowman

هكذا من الأفضل

Charles Leadbeater looks at the international dimensions of the downturn

From revelling to reckoning

THE PARTY seems to be coming to an end. After several years of riotously enjoyable growth, the world's economy seems poised to call it a day.

Some revellers such as Australia and the UK have already left. The British were among the most committed, enthusiastic and extrovert of the [illegible] guests. In the last few months the British economy has fallen sharply into a recession which most expect could be extended and deep.

The US economy has just gone through the front door and is heading down the steps. Officials refuse to call it a recession, but that is what it feels like in Detroit.

France is putting on its coat in preparation to depart, while the Italian economy is reclining on a couch – still there but feeling very tired.

Signs that the party is breaking up have left the Germans edgy. Excited by the home market created by reunification, they are warily watching signs of tiredness and [illegible] grow in their export markets.

The late arrivals from eastern Europe, who were greeted with cheers, are finding it hard to get into the swing of things. After an initial [illegible] of energy, they are beginning to wilt.

That leaves the hard core of serious revellers in the kitchen. The Japanese are beginning to slow down. But compared with the near-collapse [illegible] the British economy, they are highly animated. They show no sign of throwing in the towel.

From every vantage point, the world economy seems to be running out of steam. To the advanced economies start 1991 amid a welter of [illegible] about the prospects for the world economy.

In the [illegible] many companies in electronics, [illegible] and engineering [illegible] are beginning to calculate the effects of lower [illegible] spending.

The finance [illegible] of this a significant source of this uncertainty, particularly the savings and loans crisis in the US, and retrenchment in the US and Japanese banking sector.

The Gulf crisis and the rise in oil prices have created a military and economic challenge to the order of the post-Cold War world.

The breakdown of the Gatt talks, amid bitter recriminations between Europe and the US over agricultural subsidies and the liberalisation of services, threatens the possibility of renewed wars of import quotas and subsidies.

In many sectors industrialists are having to relinquish the habits of the last few years when they were going for growth. A range of sectors – vehicles, steel, chemicals and even aerospace and [illegible] – are heading down. As a senior executive [illegible] a leading German industrial combine puts it: "We are having to learn that the business cycle was not abolished."

The recognition that harder times are on the way is just the start. The recession a decade [illegible] prompted far-reaching changes in manufacturing industries in the west, archetypically in the [illegible] the US [illegible] manufacturers learnt from Japan and the way that diversified combines such as General Electric were forced to slim to a more manageable menu of businesses.

The downturn will be a test of the restructuring in traditional sectors such as [illegible] which have been coaxed back [illegible] a semblance of [illegible] by the growth of the past few years. Will governments and producers, especially in Europe, [illegible] the traditional interventionist and protectionist measures they [illegible] turned to during previous recessions? How will the US industry, armed with computer makers.

> **Will governments and producers, especially in Europe, disavow the protectionist measures they have turned to in previous recessions?**

Companies' responses to the gathering world downturn will be differ according to the state of the cycle in their sectors and the buoyancy of their [illegible] markets. However, several common [illegible] will run through how companies will perform in the [illegible] year.

The downturn is likely to promote further international restructuring and consolidation [illegible] companies [illegible] the priorities for [illegible]. Business activities which were kept alive by the strong growth of the past few years will start to feel the pinch.

Slower growth will [illegible] which was already under way in industries such as computers where technological developments, such as the move towards open systems, are putting pressure on traditional mainframe its joint ventures with Japanese steel producers, fare?

The growth of cross-border investments in the last decade means that restructuring in this downturn will have more of an international dimension than 10 years ago. How will companies such as the French state-owned groups Thomson in electronics and Usinor-Sacilor in steel manage the businesses they so hungrily acquired in the past few years? Will giants such as Asea Brown Boveri, the Swedish-Swiss engineering company be able to reorganise the hundreds of factories it has accumulated during the years of growth? The recession will present a new challenge to the international management skills of these companies.

Companies will have to search for productivity gains from different sources. The years ago the western car industry reacted to the recession and the threat of Japanese competition by shedding labour, closing peripheral plants and sub-contracting. Manufacturers were transformed by the potential of new technology to make production more efficient.

This time around, things will have to be different. White-collar managerial and administrative staff may face redundancies alongside blue-collar manual workers.

Manufacturers will have to search for more subtle productivity improvements. There will be a particular stress on making production swifter – reducing the time it takes to launch products and cutting the lag between components arriving at a plant and leaving in the form of finished goods.

Perhaps the greatest challenge will be which companies will be able to combine with investment in product development. Product cycles are shortening in most manufacturing industries. The key to competition is not just price and quality but design and customisation, giving products special characteristics.

These companies which fail to modernise their product lines may find themselves falling further and further behind once the recession is over.

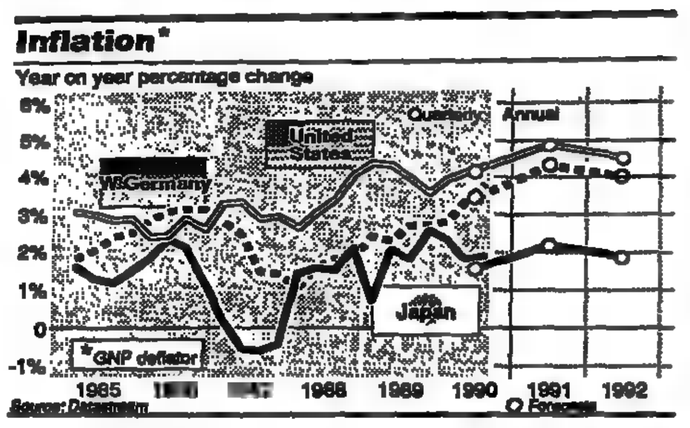
Slower growth, reduced trade flows and the threat of protectionism may [illegible] the internationalisation of business. But in the long run the downturn will only confirm that many companies have to spread their sales, and probably [illegible] of their manufacturing, between north America, south-east Asia and Europe.

Most US and European chemical companies, for instance, see expansion in the fast-growing economies of south-east Asia as more of a priority because of slower growth in their domestic markets. Japanese manufacturers in electronics, cars and, increasingly, computers recognise the need to be able to tailor products to local market needs, partly by producing them [illegible]. They are determinedly heading up-market into more sophisticated, higher value added products, presenting a growing challenge to European and US manufacturers in luxury [illegible].

Perhaps the greatest question-mark hangs over the German economy, which is still an export economy. The strength of the mark alone and the rising costs of producing in Germany will force companies such as Daimler-Benz to consider expanding their limited overseas manufacturing activities.

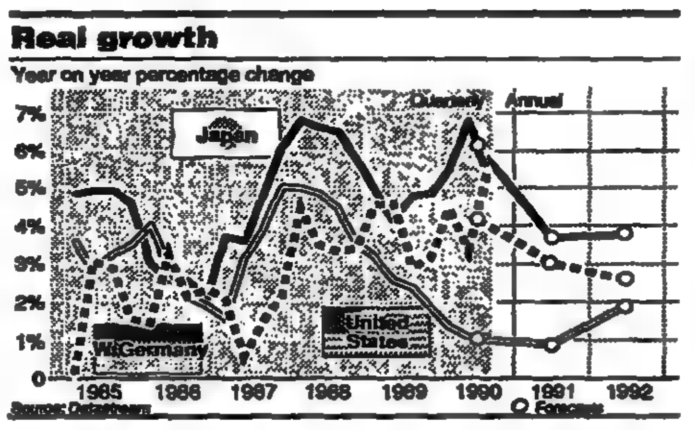
However the form of international expansion may change. There may be a shift towards alliances rather than more expensive acquisitions or greenfield investments. Professor Jordan Lewis, a leading US business strategy consultant, says: "In an economic downturn firms that cut back lose their positions. Lost positions are very difficult to regain. Forming an alliance with another company is the only way a company can cut its costs, reduce investment and yet maintain its competitiveness by drawing on the [illegible] of a partner."

Inflation*



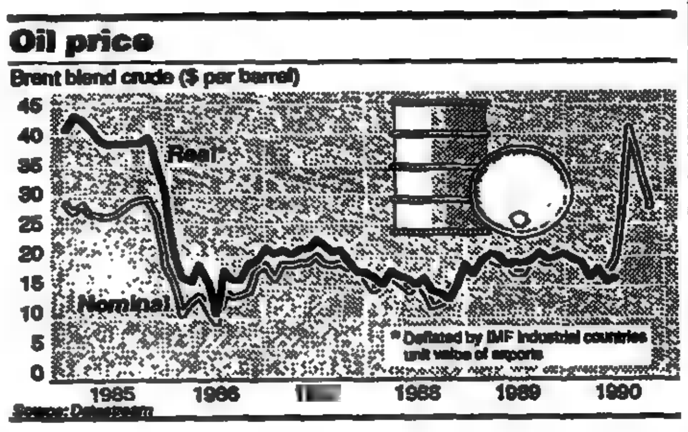
Source: Datastream

Real growth



Source: Datastream

Oil price



Source: Datastream

Martin Wolf sees a nervous year ahead for the global economy

Law of the conservation of worries

WITH A modest oil shock having already happened and a Middle East war in immediate prospect, the long economic expansion of the 1980s is coming to a halt. But even before President Saddam Hussein's ruthless raid on the back of Kuwait last August, important parts of the world economy were slowing, notably the US and the UK.

Events [illegible] the [illegible] [illegible] both emphasised the [illegible] in these economies, now [illegible] joined by much of [illegible] Europe, and contributed to it. Barring stupidity or very bad luck, however, there should be nothing like the recession following the two previous oil shocks, let alone another Great Depression. The world economy is in too robust a state for that.

The latest Economic Outlook forecast the growth of OECD gross national product next year at 2 per cent, followed by [illegible] per cent in 1992. This forecast is decidedly gloomier than six months previously but, according to Mr David Henderson, the OECD's head of economics and statistics, it is already [illegible] favourable.

"During the past month, [illegible] our projections were finalised," he said in presenting the report on [illegible], "[illegible] of new information concerning the US economy has been on the gloomy side: and if we were now reworking our projections, we would show US growth as significantly weaker for both the latter half of 1990 and the first half of next year."

Nonetheless, the projected slowdown for the OECD as a [illegible] is both [illegible] and shallow. Inflation is also expected to continue at between 4 and 5 per cent, [illegible] low enough to ignore [illegible] high enough to require vigorous action. [illegible] long as inflation remains at this level – which depends in large part on what happens in the Gulf – the scale of recession that followed the last two oil shocks should not happen, [illegible] were as much a consequence of [illegible] flationary policies as of [illegible] mous economic forces.

> **The Anglo-Saxons are paying for the party of the 1980s**

The most comforting feature of [illegible] is the divergence across the major economies. These [illegible] fall into three distinct groups: the Anglo-Saxons, who are paying for the party of the 1980s; the Germans and Japanese, who are still forging rapidly ahead; and the remaining countries of continental Europe, which are now slowing down.

In the OECD projections, economic growth next year in the US, the UK and Canada will be 0.9, 0.7 and 0.9 per cent respectively; in Japan and west Germany it will be 3.7 and 3 per cent respectively; and in France and Italy it will be in the middle, at 2.3 and 2.4 per cent.

One consequence of the divergence is that aggregate OECD growth will be maintained, despite the sharp slow-down in "Anglo-Saxonia". Another is that inflation will be curbed by the recessions in more inflation-prone countries.

A third is that the current account "imbalances" which have so concerned policy-makers will dwindle rapidly away.

According to the OECD, by 1992 the current account surpluses and deficits of Japan, Germany and the US will each be down to only 1 per cent of gross national product, a level at which they can hardly concern the most worry-prone of policy-makers. West Germany's surplus, for example, at $56bn in 1989, is projected to fall (for united Germany) to a mere [illegible] by 1992, this fall reflecting a [illegible] in the budget [illegible] to some 5 per cent of GNP. Japan's surplus, too, is expected to fall sharply, to $36bn in 1992, while the US deficit dwindles to $61bn.

Nevertheless, the law of the conservation of worries applies. One worry goes [illegible] in this case, two take its place: financial fragility and oil. The recession in the US reflects a determined monetary squeeze by the Federal Reserve, which has imposed low rates of monetary growth during 1990. The squeeze is being relaxed, but it has already emphasised the fragility of the American financial system.

Not only is the cost of the bail-out of the savings and loans institutions now estimated at around $500bn, making this the biggest financial scandal of all time, but major American banks are also in profound difficulties. Citicorp, for example, has slashed its dividend and is cutting its labour force by 10 per cent and the shares of leading banks offer yields comparable to those of junk bonds.

Whether a genuine financial crisis is in the offing and, if so, of what magnitude is unclear. What is clear is that even without such a crisis the lending of American financial institutions is likely to be severely constrained. This may well limit the effectiveness of the monetary easing, while fiscal policy is already constrained by the size of the budget deficit.

Financial fragility does not only concern the US. In real terms the Nikkei Dow index has plunged by some 40 per cent from its peak at the end of 1989. While other stock markets are well [illegible] in real terms from peaks reached before the 1987 crash, Tokyo is different, both because of the steepness of the fall and because the peak was reached more recently. In practice, however, the effects of the crash seem containable.

> **US savings and loans: the biggest financial scandal of all time**

The oil price shock, too, looks far from as severe as the last two, at least so long as the price does not [illegible] above $50 or so. The energy [illegible] of the OECD's GNP has fallen by a quarter since 1973 and its oil intensity by far more. Furthermore, the inflationary position is better than before the two previous shocks and OECD economies more flexible.

If the world [illegible] is to plunge [illegible] into a modest recession, but into a deep depression, it would presumably be because of the combination of protectionism – probably following a breakdown of the Uruguay Round – with financial collapse in the US and Japan, triggered perhaps by a disinflationary response to a war-induced oil shock.

A not dissimilar combination heralded the Great Depression of the 1930s. It seems inconceivable that the countries which won the Cold War might celebrate its end in this way. They could not be so stupid, could they?

Guy de Jonquières on prospects for cross-border expansion

Why it pays to be on the spot

THOUGH HARSHER financial conditions have slowed the pace of international mergers and acquisitions in [illegible] months, the level of [illegible] industrial [illegible] which have prompted companies to expand across borders will persist this year and throughout the 1990s.

The great takeover wave of the late 1980s, and the simultaneous rapid growth of foreign direct investment and international corporate alliances, were particularly visible symptoms of fundamental changes which are reshaping markets and competition in industries from banking to telecommunications.

Corporate responses reflect a mixture of fear and greed. Throughout the industrialised world, established market positions are under threat, as accelerating technological innovation, deregulation and rapid emergence of new industrial competitors conspire to undermine long-standing market barriers.

But by the same token, producers whose traditional home markets are threatened also [illegible] greater opportunities – and a stronger incentive – to fight back by adopting more aggressive international expansion strategies.

In [illegible] such as [illegible] cars and semiconductors, where supply is concentrated and investment requirements are exceptionally high, the emphasis has been on improving scale economies by acquiring competitors or collaborating with them to share costs.

In many industries, refocusing of corporate strategies has led to the extensive reshuffling of business portfolios internationally. In chemicals, for [illegible], [illegible] by producers worldwide to concentrate selectively on [illegible] activities resulted in extensive trading of [illegible] in the 1980s.

[illegible] have also [illegible] prompted largely by a desire to forestall predatory takeovers or to deny possible bid targets to other acquirers. Such concerns seem to have played a part in the recent consolidation of European banking, [illegible] as well as across national borders.

> **Precise feedback can be acquired only through intimate knowledge of local demands**

However, the most common objective has been to sustain growth by gaining access to new markets. For an increasingly wide range of companies, that has meant acquiring distribution networks – and in many cases production and development facilities – in the countries where products are sold.

That is not in itself new: the same pattern was followed by many US multinational companies earlier this century. But while the approach then was designed to get round restrictive national tariffs and quotas, today, paradoxically, it coincides with the crumbling of many traditional market barriers.

Admittedly, some Japanese investments in the US and the European Community appear to have been influenced by anti-dumping and other forms of trade protection, though the evidence is equivocal. Within the EC, however, the biggest stimulus to business expansion across borders has been the planned removal in 1992 of many obstacles to trade.

In most cases, the priority is to develop a much closer and more continuous contact with customers than can be acquired simply by producing goods and services in one country and exporting them to another.

Behind the increased emphasis on local market presence lie longer-term shifts in [illegible] activity in the industrialised world. As fiercer competition turns many types of products and services into commodity items at an alarming rate, producers face two main choices.

One is to go on selling the same sorts of products and services, but to seek to differentiate them by brand image, delivery method and customer service. That cannot be achieved simply by advertising – as Nestlé, for instance, found after costly efforts to establish its confectionery brands in Britain.

In industrial as well as consumer products, effective market penetration requires heavy investment in local distribution channels, marketing and quality control. The time and [illegible] involved in creating a presence from scratch often argue in favour of acquisition.

The other alternative is to seek to re-establish a defensible position by moving upmarket into businesses offering higher value added. Here, the provision of effective local customer service and support is even more vital.

In businesses such as personal computers [illegible] custom chips, products are increasingly defined by [illegible] offered [illegible] them. In consumer

Continued on [illegible]

A last chance to avert trade wars

RESOLVING THE impasse in the Uruguay Round of multilateral trade negotiations is one of the most urgent tasks for economic policy-makers at the start of [illegible].

The four-year Uruguay Round effort to rewrite the rules of the trading system and adapt them to the modern age broke down at a ministerial meeting in Brussels early last month when the US and European Community failed to agree on cuts in farm subsidies.

As a result, the whole exercise has been put at risk, raising the spectre of trade wars and the development of exclusive regional trading blocs that would destroy commercial opportunities and hamper economic growth.

Through much of the 1980s, the volume of world trade grew faster than economic output as a whole. Nations thus came to rely on trade as a motor for economic growth. Yet the large payments imbalances between the US with its deficit and Japan with its surplus strained the system, bringing an increase in protectionism which the Uruguay Round was supposed to cure.

By the end of the decade the growth in trade flows had also begun to slow. In 1989 the volume of world trade grew by 7 per cent compared with 8½ per cent in 1988. First estimates by the General Agreement on Tariffs and Trade for 1990 suggest that the growth rate slipped somewhat to around 6 per cent, partly as a result of the Gulf crisis.

A successful outcome to the Uruguay Round would help restore this flagging momentum and provide what Mr Peter Lilley, Trade and Industry Secretary, has called "a non-inflationary stimulus" to the world economy. The removal of barriers to trade, not only in goods but also in services like banking, insurance and telecommunications, would create new opportunities from which all would eventually profit.

Unfortunately, there is little time left. The Gatt has entered the new year with its Uruguay Round crisis unresolved. A meeting is to be held this week to decide whether a basis can be found for resuming the negotiations. If it fails to do so quickly, the special negotiating authority conferred by Congress on the Bush administration will run out.

What is needed, above all, is a resolution of the differences over farm reform. The European Community, whose farmers receive support worth some Ecu [illegible] a year, has always been reluctant to put its Common Agricultural Policy into play in the Uruguay Round.

In the run-up to the Brussels meeting, its member states agreed, with great difficulty, on an offer to cut domestic subsidies by a total of 30 per cent. But the programme was retroactive, covering a 10-year period starting in 1986. Since support has already been cut since then, the EC was offering cuts of only about 15 per cent in the first half of the current decade.

This enraged the US and its allies in the 14-nation Cairns Group of farm exporting nations. Both were asking for much deeper cuts of 75 per cent in domestic supports and 90 per cent on export subsidies. Only towards the end of the Brussels meeting did the EC agree to discuss specific policy commitments on export subsidies and on import barriers as well as on domestic support.

But these commitments were vague and hedged about with conditions. The patience of the US and the Cairns Group had run out and the talks collapsed. Only if the EC adopts a much more generous attitude will it be possible to revive the talks.

For its part, the Community has chosen to lay the blame for the impasse on the inflexibility of the Bush administration, which it says was deliberately making unrealistic demands in order to avoid having to make concessions in the Uruguay Round that would put it once again at loggerheads with Congress over trade.

Support for cuts in farm support is strong among US large exporters, such as grain and oilseed producers, but weak in other sectors such as dairy, sugar, peanuts and cotton. Some US service industries are worried that an international agreement to liberalise trade in services will undermine their ability to push through market opening measures by unilateral action directed against trading partners with closed markets.

US trade experts [illegible] long argued that [illegible] a strong and broad-ranging agreement will generate enough support to override the opposition to trade liberalisation among influential lobby groups. Significant cuts in farm support are also needed to make the package acceptable to developing countries whose economies would face a painful short-term adjustment to new rule on trade in services and intellectual property.

> **The March 1 deadline from Congress for the Bush administration**

Looming in the background is the March 1 deadline after which the Bush administration's negotiating authority lapses. Known as the "fast-track" authority, this allows the administration to negotiate an agreement that will be passed by Congress on a single vote. Without it, Congress can revert to a system of voting on the agreement line by line, rejecting large parts of it and making life impossible in the Gatt for the administration.

Trade officials say that, despite the blockage in farming, negotiation in other areas of the Uruguay Round was surprisingly well-advanced by the end of the Brussels meeting. With agreement on farm supports, accords in other areas ranging from textiles, to patents, investment and services would fall quite quickly into place.

European officials, in particular, [illegible] believe that there is still [illegible] to complete the entire [illegible] by March 1. Gambling [illegible] Congress would renew the fast-track is dangerous, they say. It might refuse to do so, and, in any case, would be [illegible] to impose tough [illegible] such as, for example, another round of so-called Super 301 actions against countries singled out for their "unfair" trading practices.

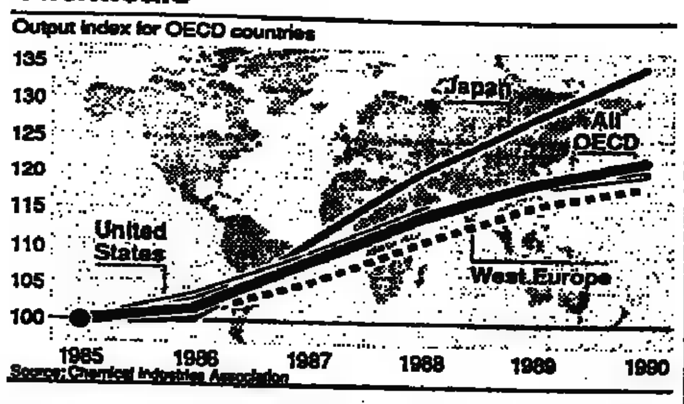
Others are not so optimistic that the round can be completed that quickly. It would take a substantial shift in the European position on farming. So far, there is no sign of it. Moreover, a lot of technical negotiating still needs to be done in the area of tariff reform. Offers of tariff cuts put on the table so far fall well short of the 33 per cent target set by Gatt at its ministerial meeting in Montreal at the end of 1988.

The risk therefore is that, without a quick agreement, the Uruguay Round could go into limbo for a long period. In such circumstances the chances of keeping alive the progress that has already been reached in four years of negotiation would be slim. Gatt's power to police the world trading system would be diminished and governments would have increasing recourse to unilateral and protectionist trade policies.

Peter Montagnon

Chemicals

Output index for OECD countries



Source: Chemical Industries Association

Bulk producers feel the pinch

MANY CHEMICAL company executives were aware a year ago that their industry's three-year boom of the late 1980s was due to come to an end. Few realised how suddenly the cyclical downturn would come in 1990.

The world's four largest chemical companies – BASF, Bayer and Hoechst of Germany and ICI of the UK – reported falls of a third or more in 1990 third quarter profits and some analysts are warning that 1991 may bring even worse news. The German trio and other leading European companies such as Rhône-Poulenc of France and Akzo of the Netherlands may well cut their dividends. ICI will do so only if its financial position becomes much worse, because a dividend cut would be regarded in the City of London as a mark of managerial failure, in a way that would not apply to its continental competitors.

Petrochemicals and plastics have been responsible for most of the damage. Trading conditions deteriorated steadily during the first half of 1990. Then the Gulf crisis put a more severe squeeze on the manufacturers, as their main oil-based raw material, naphtha, doubled in price and the weakening world economy reduced demand for their products.

Businesses further downstream in the chemicals production process, making specialised materials with higher added value, have suffered less.

The sector sometimes called fine chemicals, worth an estimated $30bn a year worldwide, is especially buoyant. Fine chemical manufacturers produce relatively small quantities of complex and expensive intermediates – mainly for

Fine chemicals are buoyant as the giants buy in from outside

pharmaceutical and agrochemical companies.

Their business is healthy not only because of continued growth in pharmaceuticals but also because the giant drug companies are tending to make less of the chemical ingredients they need for research, development and manufacturing and are buying in more from outside suppliers. According to MTM, a UK fine chemicals producer which spent $112m in October acquiring Hardwicks, a similar US company, the pharmaceutical intermediates market is growing at a rate of 14 per cent a year.

There are other prosperous niches in the industry. For example, Courtaulds of the UK is making large profits out of rayon, a cellulose fibre that is currently in fashion for clothing. An added bonus is that the raw material for rayon – wood pulp – is falling in price, in contrast to most artificial fibres which are made from petrochemicals.

The industry did not indulge in much large-scale merger and acquisition activity during 1990. But there was a lot of smaller scale trading of businesses valued in the $10m to $100m region, as the chemical giants continue to focus on businesses in which they have global strengths and sold those in which they are peripheral players or have no competitive advantage.

The most spectacular corporate activity recently has been in southern Europe. Rhône-Poulenc, state-controlled flagship of the French chemical industry, has been on a four-year multi-billion dollar spending spree, including the purchase of agrochemicals from Union Carbide, miscellaneous chemicals businesses from Stauffer, RTZ and GAF, and, as a climax, the Rorer drug company in 1990.

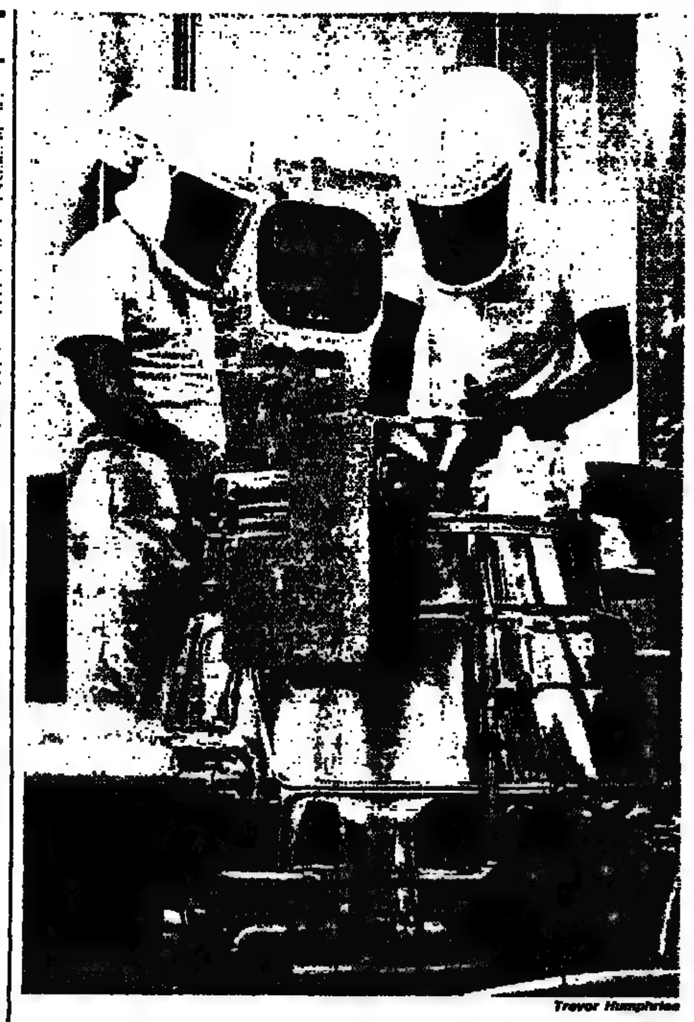
The cost of financing these acquisitions at a time of high interest rates, coupled with the effects of a falling dollar and faltering world economy, have hit Rhône-Poulenc hard in the short term. However Mr Jean-René Fourtou, chairman, said last month that Rhône-Poulenc's profits would rise in 1991, as the benefits of the mergers began to come through – few other chemical company chairmen are in a position to predict better results this year.

The Italian industry had a traumatic year, as privately owned Montedison and state-owned ENI quarrelled over their joint venture in base chemicals, Enimont. Terms for the divorce were finally agreed in November, with ENI buying Montedison's 40 per cent stake for 2,800bn lire ($2.5bn).

Enimont was in any case the weakest of the world's bulk chemical producers. Now that it is firmly under state control, Mr Giorgio Porta, the new chairman, and Mr Giovanni Parillo, managing director, face a huge restructuring task, reducing Enimont's workforce and selling, closing or modernising loss-making plants.

The outlook for bulk chemicals worldwide is not encouraging. Depending on events in the Gulf, the industry may enjoy a bounce off the bottom of the cyclical downturn later this year. But many experts believe it will be saddled with overcapacity well into the 1990s, as new plant commissioned in the late 1980s boom comes on stream. And large companies will have to spend billions of dollars on environmental improvements which will be necessary to stay in business but will not produce immediate financial returns.

Clive Cookson



Trevor Humphries

A high speed mixer-granulator, used to make pharmaceutical tablets at Evans Medical, Horsham, West Sussex

Is it the end of a golden age?

WHILE OTHERS shiver in the recession, the pharmaceutical industry continues to push up earnings by 15 to 20 per cent a year. Its customers, whether public health services or patients paying for drugs out of their own pockets, buy the medicines they need almost regardless of economic circumstances. And needs are growing as the population of most industrialised countries contains a rapidly increasing number of people who are old and chronically ill.

Even though pharmaceutical companies are virtually immune to the ups and downs of the world economy, their prosperity may soon be threatened by a combination of long-term political, economic and technical changes.

Several analysts are warning of trouble to come. "The 40-year run of continuous success for almost all companies in the pharmaceutical industry worldwide is coming to an abrupt halt," says a special report issued by the Economist Intelligence Unit last month. "The pharmaceutical industry is likely to face unprecedented difficulties over the next five years," says Mr Hemant Shah, a leading US analyst.

No-one in the industry wants to seem complacent about the future, but some executives have a sense of *deja vu* about warnings of that sort. At various points over the past 25 years people have proclaimed that a golden age of pharmaceuticals was coming to an end – and the gold proceeded to flow in faster than ever.

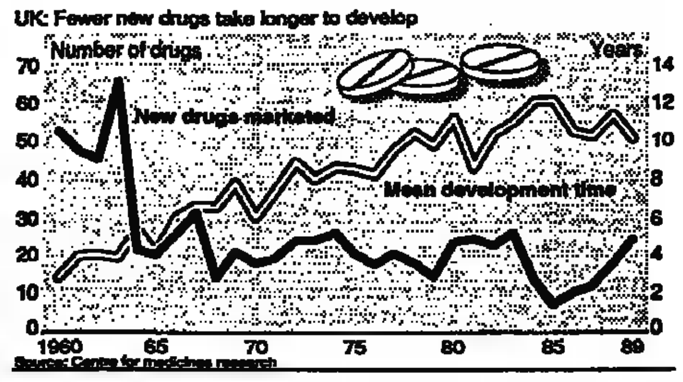
The most important external constraint on the industry's growth is the pressure from governments worldwide to hold down escalating health care expenditure (which has more than doubled as a percentage of GDP since 1960).

Drugs are a tempting target for government cuts, although they represent only 8 to 10 per cent of total health spending – and an expensive new drug may lead to an overall saving if, for example, it allows patients to leave hospital several days sooner than its predecessor.

The Japanese government has led the way, with mandatory price cuts for existing drugs once every two years (which have amounted to a 45 per cent reduction over eight years). On the other hand, companies can negotiate high prices for new drugs in Japan that make them very profitable for a while. The Japanese pricing system is therefore a powerful spur to innovation.

Pharmaceuticals

UK: Fewer new drugs take longer to develop



Source: Centre for medicines research

The US still has a relatively free market approach to drug pricing. As a result companies have been able to increase the price of old drugs faster than the general rate of inflation, provided that they are still covered by a patent.

However, there was a sign late last year of the increasing pressure to contain costs: Congress passed a bill forcing drug companies to offer substantial discounts to the federal Medicaid programme.

Pharmaceutical companies are going to thrive through the 1990s if they can maintain a flow of innovative drugs that will deliver new benefits that justify charging a high price. All the large pharmaceutical companies are devoting an increasing proportion of their resources to research and development; a typical R&D budget today is 15 per cent of sales.

At the same time R&D costs are escalating rapidly. A genuinely novel drug (what the industry calls a new chemical entity) now costs $200m to $300m to develop. The world's top drug companies need to spend more than $600m a year on R&D to maintain the flow of new drugs at a rate of one or two a year. Or to put it another way, companies which have sales of less than $4bn a year are unlikely to remain independent global players in the pharmaceutical industry.

Pharmaceutical companies are soon likely to see a new wave of mergers, acquisitions and restructuring. But it will not end up entirely as an industry of giants. There will always be room for smaller companies with low overheads, focusing on profitable market niches which the giants have neglected, or making unbranded generic drugs.

Clive Cookson

Cross-border moves

Continued from Page 2

electronics, Sony and Matsushita of Japan have both acquired large US film companies because they believe the future of television manufacturing will depend on their ability to supply programmes as well as sets.

Furthermore, the greater the value added of products, the larger the investment required to develop them and the more specialised and sophisticated the demands they need to satisfy. Positioning them effectively calls for precise market feedback which can be acquired only through intimate knowledge of local demands.

None of these trends makes manufacturing efficiency less important. However, it is no longer sufficient to guarantee competitive advantage. As many Japanese companies are discovering, the further they move up the value scale, the more important it becomes to tailor products to the "culture-specific" features of local markets.

In the past few years, the need to supply increasingly complex products to an ever more varied range of customers has led to a rapid growth of cross-border corporate alliances in almost every industry. The most common aim is to pool complementary resources, such as technology and marketing skills, or to seek viable scale economies.

The attraction of international alliances is that they promise synergistic benefits at relatively low cost. It is unclear, however, whether in practice they amount to much more than transient attempts to respond to the high risks created by turbulent market conditions.

Important corporate alliances which have endured for more than a few years are rare. More often, they are wound up because they have served their original purpose or foundered on problems of management control; alternatively, they mature into full mergers.

The increasingly sombre outlook for the world economy and the problems confronting the world trade system make it difficult to predict the exact path which international business strategies will follow in the next few years.

At a time when economies are slowing everywhere, failure of the Gatt Uruguay Round trade talks would greatly increase the dangers of a reversion to protectionist policies. Paradoxically, however, that could accelerate cross-border expansion if companies reacted to higher trade barriers by stepping up direct investments in foreign markets.

It would be a different story if governments also sought to discriminate against inward investments – a possibility favoured in some US political circles. However, with foreign-owned companies accounting for a steadily rising share of output and employment in most of the industrialised world, governments would need to consider carefully just whose interests would suffer most from such restrictions.

Shift to the civil market

THE OVERALL emphasis in [illegible] industry is expected to continue [illegible] shift from the military to [illegible] civil market in the coming [illegible]. Airframe and [illegible] manufacturers, along [illegible] their component suppliers, have [illegible] their eyes on [illegible] longer-term growth prospects of the [illegible] mercial [illegible] to offset the decline in military spending [illegible]ted by the dramatic political changes in [illegible] Europe and the Soviet Union, which have brought [illegible] War to an [illegible].

[illegible] the Middle East [illegible] is not expected to change the underlying trend of steep defence cuts. These have forced [illegible] manufacturers [illegible] launch widespread restructurings of their military activities at the same time as encouraging [illegible] and expand their operations in the civil [illegible].

In [illegible] UK, both British Aerospace and Rolls-Royce [illegible] already announced restructuring [illegible] for their military divisions. BAe is to shed [illegible] jobs and close [illegible] out of six plants in its military aircraft sector, while Rolls-Royce is reducing its workforce at [illegible] military engine plant.

[illegible] in Europe, job [illegible] by all [illegible] leading [illegible] military [illegible]. In the US, [illegible] have also launched extensive restructuring involving the [illegible] jobs.

In the face of the downturn in [illegible] military [illegible] challenge for aerospace manufacturers [illegible] been twofold. They [illegible] had [illegible] even further their manufacturing costs to improve their competitive position in a shrinking market by internal restructuring [illegible] as by [illegible] partnerships, [illegible] and [illegible]. At the [illegible] time, [illegible] had [illegible] rely [illegible]ingly on the civil market for growth.

The problem for the industry is that the commercial aerospace market has also entered into a period of considerable uncertainty. Even before the Middle East crisis, there were signs [illegible] the [illegible] times of [illegible] last few [illegible] in [illegible] civil jet [illegible] market [illegible] coming to an end. The threat of a [illegible] recession and sustained high oil [illegible] are putting enormous financial pressure on airlines, which in turn could lead to a reappraisal of future [illegible] aircraft [illegible].

The expectations [illegible] for the annual rate of new [illegible] for civil airliners, which reached a staggering 1,753 commercial [illegible] in [illegible], [illegible] back gradually, in line with [illegible] planned annual [illegible] of new aircraft deliveries. In [illegible] totalled about 730. Boeing, [illegible] world's largest manufacturer of commercial jets, expects total industry deliveries [illegible] jetliners to average 621 a [illegible] the next 16 years. Airbus, its European rival, [illegible]ing new [illegible] averaging 500-600 [illegible] next [illegible] decades.

US-Europe trade frictions on subsidies have been revived

Although manufacturers are working [illegible] full capacity on civil programmes, [illegible] competitive [illegible] have, if anything, increased. This has been [illegible] in the revival of the trade frictions between the US [illegible] Europe over government [illegible] to the aircraft industry and the fierce battles [illegible] both the [illegible] and aero-engine [illegible] for new [illegible].

Competition continues to be [illegible] both at the top [illegible] lower ends of the market. In the large commercial aircraft sector, Boeing has just launched [illegible] long awaited 777 [illegible] engine [illegible] body airliner programme [illegible] compete against the Airbus A330/A340 programme [illegible] McDonnell Douglas MD-11 trijet. The [illegible] leading aero-engine manufacturers [illegible] Electric and [illegible] Whitney in the [illegible] Rolls-Royce [illegible] UK) [illegible] also jostling [illegible] position [illegible] in the growing market for heavy [illegible] engines [illegible] power this new generation of [illegible] body aircraft.

In [illegible] smaller aircraft market segment, [illegible] manufacturers [illegible] now proposing [illegible] regional jet airliners. BAe recently unveiled plans to build a stretched version of its [illegible] regional jet powered by two engines [illegible] four, [illegible] 146. Fokker is [illegible] planning to develop a larger [illegible] of [illegible] 100 regional jet, [illegible] Deutsche Aerospace is actively studying with Aerospatiale of France, Aeritalia of Italy and Casa of Spain the development of a [illegible] jet.

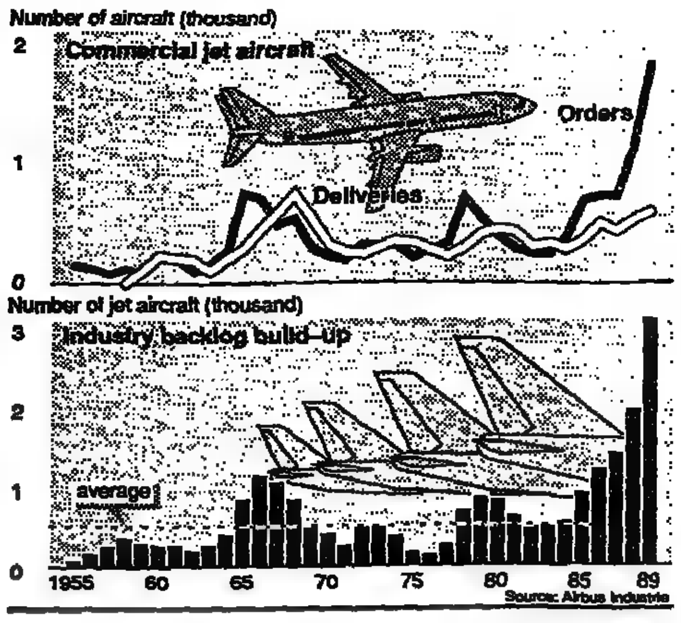
Indeed, [illegible] emergence of [illegible] Aerospace as a [illegible] in the world aerospace industry [illegible] of the most significant [illegible] interesting developments in the [illegible] year. The restructuring of the [illegible] German [illegible] industry around Daimler-Benz has created a company with annual sales of [illegible] than DM15bn.

Although [illegible] industry now faces, in [illegible] short term at least, an increasingly uncertain outlook, Boeing [illegible] forecasts an overall market requirement of [illegible] (in 1990 dollars) [illegible] aircraft for [illegible] world's airlines between now [illegible] the year [illegible]. However, [illegible] US manufacturer, which is producing [illegible] aircraft a month [illegible] has [illegible] to produce [illegible] a month [illegible] that this huge market could be threatened by [illegible] problems [illegible].

[illegible] Mr [illegible] Sepanen, [illegible]ing's manager of market research, expects [illegible] impact of the Gulf crisis to be "minimal" because [illegible] problem [illegible] short-term. "When it is resolved, the market will return [illegible] position currently anticipated on [illegible] demand curve," he says.

Paul Betts

Aerospace



Heavy turbulence in the air

THE WORLD airline industry is flying through a renewed period of heavy turbulence. The combination of high oil prices and an economic slowdown in [illegible] economies is putting enormous financial pressures on airline [illegible].

Yet even before the Gulf crisis sent jet fuel prices soaring, the financial situation of airlines was already deteriorating during the first half [illegible]. The International Air Transport Association (Iata), which groups 200 carriers, [illegible] airlines to lose a total [illegible] than $2bn in [illegible] on international scheduled [illegible]. This compares [illegible] a small profit [illegible] in 1989 and a $1.6bn profit [illegible].

The US [illegible] the [illegible] by the downturn. Its airlines are expected [illegible] report [illegible] of $1.5bn [illegible] in [illegible] US carriers [illegible] already taken [illegible] in the face of the latest slump in what has traditionally been a highly cyclical industry. [illegible] has sought protection from [illegible] creditors under Chapter 11 [illegible] bankruptcy [illegible] Pan American has [illegible] its precious north Atlantic [illegible] London's Heathrow airport [illegible] United Airlines for $400m, [illegible] Trans World Airlines (TWA) [illegible] selling [illegible] Heathrow rights [illegible] American [illegible].

The financial [illegible] is expected to accelerate [illegible] in [illegible] US airline industry around a small number [illegible] large financially stronger [illegible]. Indeed, after [illegible] to sell [illegible] Heathrow rights [illegible] American, TWA [illegible] proposed a [illegible] with [illegible] Am.

[illegible] US [illegible] have not been the only [illegible]. Air France, Lufthansa, KLM, and BA are among large European carriers seeing their financial results depressed by [illegible] general [illegible] airlines [illegible] launch a new round of cost-cutting and restructuring. Although BA is among [illegible] world's financially strongest airlines, Lord King warned that the UK [illegible] carrier [illegible] likely to show a loss in the second half [illegible] its current financial year.

Consolidation is also continuing in the European airline industry as carriers attempt to position themselves ahead of the latest stage in the European Commission's liberalisation of air transport. BA is [illegible] develop new European hubs by attempting [illegible] form a new German-based airline at Berlin [illegible] continuing to [illegible] a partnership with [illegible] of Belgium.

However on New [illegible] Eve, BA together with KLM Royal Dutch Airlines pulled out of a deal to set up a new European joint airline with Sabena and KLM called Sabena World Airlines. The plan involved transforming Brussels' [illegible] airport into a vibrant hub serving [illegible] European [illegible]. BA [illegible] capitalise on the new opportunities in [illegible] Soviet Union and [illegible] Europe resulting from the new spirit of east-west detente by forming a joint venture airline based in Moscow called Air Russia.

Air France and Lufthansa have forged close co-operation ties. Separately, Air France [illegible] absorbed UTA, [illegible] French long-haul carrier, [illegible] Air Inter, the French [illegible] airline, while Lufthansa is keen [illegible] with Interflug, [illegible] former [illegible].

The fast-growing [illegible] of the [illegible] region [illegible] joined in the [illegible] industry's global game of musical chairs. Although they too have [illegible] spared [illegible] impact of the financial downturn, they have sought [illegible]tion pacts and cross-shareholding [illegible] with other international airlines in the US and in Europe.

Perhaps the best example is the trilateral alliance of Singapore Airlines with Swissair in Europe and Delta in the US with all three carriers taking stakes in each other. In Australia, where the domestic airline industry has recently been deregulated, Qantas is now looking for international partners to invest in its capital.

With jet fuel prices likely to remain high in the 1990s, airlines have been trimming back their forecasts for passenger traffic growth. But despite the economic slowdown, demand for air travel is expected to continue to rise in the decade. Guinness Peat Aviation, the world's largest aircraft leasing company, has shaved a few decimal points on its longer-term forecasts. It was expecting annual growth of around 6.25 per cent over the next 10 years. It now thinks annual growth will average 5.75 to 6 per cent.

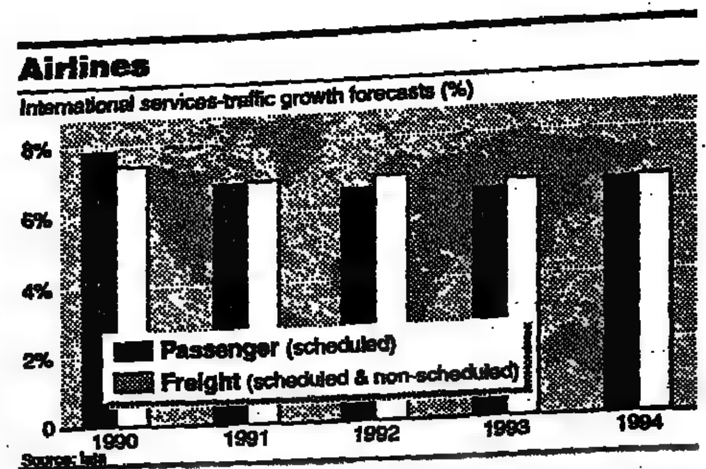
Iata, for its part, forecast 6.9 per cent growth in international scheduled services in 1991, falling to 6.6 per cent the following year and 6.5 per cent in 1993-94. However, these forecasts were made before the full impact of the Middle East crisis on the industry became clear. Iata expects the Asia-Pacific to remain the fastest-growing region, with nearly 10 [illegible] annual growth for north-east [illegible] and 8.8 per cent for south-east Asia during the next four years. North America and Europe are expected to show steady annual growth averaging 6.8 and 6.2 per cent respectively.

After a downcycle, the airline industry has traditionally recovered quickly because of underlying longer-term growth in air travel and air cargo demand. But this time, it may not be so easy, warns Mr Gunter Eser, Iata director-general. "The difference comes from congestion," he says.

Unless urgent and extensive investments are undertaken to provide more runways, more terminals and more efficient air traffic control systems, congestion in the air and on the ground could have severe repercussions on the future growth of the airline industry. By the end of the decade, quantifiable annual losses to European economies arising from the failure to alleviate capacity constraints could exceed $10bn, says Iata. Unquantifiable economic and social costs could be [illegible] greater.

Paul Betts

Airlines



IATA MEMBERS' RESULTS (in $bn)

	1985	1986	1987	1988	1989
Operating revenues	77.8	89.1	[illegible]	125.1	144.5
Operating [illegible]	75.7	86.4	103.0	[illegible]	140.2
Operating result	[illegible]	2.7	4.6	[illegible]	4.3
Percentage [illegible] revenues	2.4	3.0	[illegible]	[illegible]	3.0
Net result	[illegible]	[illegible]	[illegible]	2.5	[illegible]
Percentage of revenues	[illegible]	[illegible]	[illegible]	2.0	[illegible]

Source: Iata

Profit margins are squeezed

FOR MANY of the companies which comprise the worldwide computer industry, 1990 was a profoundly disturbing year. All the indications are that 1991 will provide no relief for those firms and that others, so far unscathed, will begin to feel the pinch.

The industry is caught between dramatic changes in costs and technology which are making a nonsense of conventional marketing expenses and a decline in demand for information technology products both in Europe and the US.

This latter phenomenon is a [illegible] both of a developing recession in [illegible] of the principal [illegible] – the US [illegible] the UK – and a growing tendency among large customers to look closely at the [illegible] they [illegible] spending on information technology.

The picture in Japan is [illegible]. There [illegible] demand for computer hardware and software remains high. [illegible] explanation is [illegible] while [illegible] computers are as [illegible] or [illegible] than [illegible] from [illegible] manufacturer, Japanese [illegible] is well behind the west in [illegible] use [illegible] of automated [illegible]. In consequence, the market for [illegible] computers is [illegible] saturated in Japan, unlike the US [illegible] Europe, [illegible] growth there [illegible] comes [illegible] replacement and [illegible] to existing [illegible].

Furthermore, personal computers are now becoming an accepted [illegible] tool in Japan as small, portable machines [illegible] Japanese [illegible] widely [illegible].

But the Japanese cannot long remain immune from the ills now afflicting the rest of the world industry and which have brought [illegible] or near-disaster [illegible] some companies.

The principal causes of the industry's woe [illegible] the power now available from low [illegible] microprocessor chips and a growing interest in "open systems" among [illegible].

Japanese business has still to catch up on automated systems

[illegible] computer industry grew up round a small group [illegible] of mainframes and minicomputers developing [illegible] proprietary designs and electronic circuitry.

[illegible] based on [illegible] are expensive [illegible] carry high gross margins. For mainframe systems, it could be [illegible] per [illegible] which [illegible] for expensive [illegible] marketing [illegible] and other overheads.

The profit margins on microcomputers and [illegible] "servers" (essentially microcomputers capable of providing [illegible] and processing [illegible] to workstations attached to a network) [illegible] much [illegible] and [illegible] competition [illegible] much more [illegible]. For instance, there are some 250 suppliers worldwide [illegible] IBM [illegible] computers.

Such systems are sold through "[illegible]" – dealers, value-added [illegible] and [illegible]. [illegible] test for traditional [illegible] is to [illegible] their cost [illegible] to [illegible] of the new world quickly enough. Groupe Bull of France, for example, which [illegible] caught out badly by the speed of the change, has [illegible] plans [illegible] bring costs [illegible] staffing into line with the new economics [illegible] five [illegible].

However, Compaq of the US, a newer manufacturer and IBM's [illegible] competitor in the [illegible] personal computer sector, continues to show strong growth and profits while traditional companies [illegible].

The spate of mergers and acquisitions which [illegible] characterised the industry [illegible] is now decelerating. ICL of the UK was acquired by Fujitsu [illegible] the middle of 1989 [illegible] Groupe Bull, Olivetti of Italy and the computer division of Philips [illegible] Netherlands seem to have [illegible] to continue the battle alone. All are shedding staff heavily in a attempts [illegible] balance [illegible] and expenses.

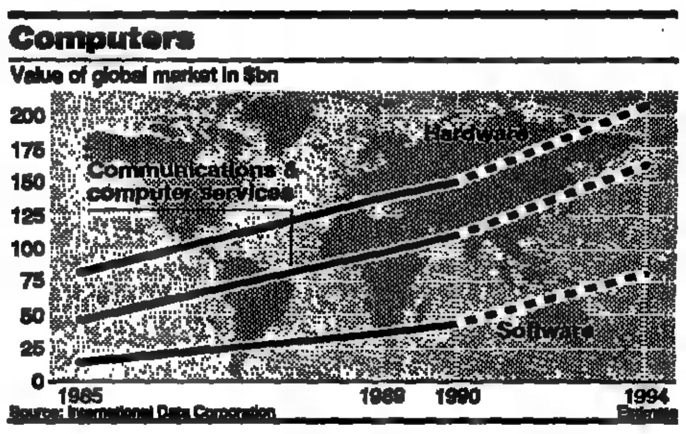
AT&T, [illegible] computer division [illegible] money over the [illegible] years, [illegible] trying to force a merger with NCR, one of the US's [illegible] business machine companies, in a deal which [illegible] some technological synergy, but which many observers believe [illegible] prove a [illegible] management nightmare.

With computer manufacturing rapidly becoming a commodity business, many suppliers [illegible] seeking [illegible] profitable avenues; International Business Machines, for example, [illegible] talking to British Telecom [illegible] as yet ill-defined partnership to provide [illegible] business [illegible] over its network.

As the decade progresses, an increasing number of companies now seem likely to turn to "facilities management" (FM) as a way of cutting data processing costs. This [illegible] paying a third party a fee to [illegible] all a company's [illegible] processing or communications activities. The [illegible] IBM and BT plan to offer could be examples of facilities management in the broadest sense.

Alan Cane

Computers



Oil: prices set to plunge

THE INTERNATIONAL oil industry has just been through an exceptionally turbulent year, and 1991 promises more of the [illegible].

The sting of extremely high oil prices [illegible] be the [illegible] lasting memory of 1990. [illegible] recalling just [illegible] much of a roller-coaster [illegible] it was. Oil prices [illegible] 1990 at four-year highs, [illegible] $20 a barrel, following a record December cold snap in the UK. From [illegible] a steady decline to about [illegible] for North Sea Brent oil in June as members of the Organisation of Petroleum Exporting Countries [illegible] of [illegible] usual [illegible] of competition [illegible] market [illegible].

This was considered an extremely violent price swing, until Iraq's invasion of Kuwait intervened to make all [illegible] look boring.

Oil prices peaked [illegible] a barrel in [illegible] but then retreated as oil output by Opec, [illegible] especially Saudi Arabia, [illegible] all expectations and as [illegible] oil weakened in [illegible] both higher prices and slower economic activity. [illegible] the usual [illegible] of supply and demand projections, [illegible] prices of late 1990 look set to plunge steeply this year – [illegible] industry [illegible] talking about oil at $10 again – and it is only the threat of war in the Middle East that is holding prices nervously aloft.

[illegible] to break a pattern [illegible] the past five years in which oil demand has risen annually by about 1m barrels a day. Instead, demand could easily fall by that amount. This [illegible] reason why [illegible] oil industry [illegible] high prices. Oil companies have not yet revised drilling or development plans in response to turbulence in the [illegible].

The only important [illegible] in [illegible] Saudi Aramco, [illegible] national oil company, which [illegible] rolled [illegible] plans to raise [illegible] oil output capacity. It now hopes [illegible] this from 8.5m to 10m b/d by [illegible]. With Iraqi and Kuwaiti production capacity no [illegible].

Instead of going up by 1m barrels a day, demand could fall by that amount

[illegible]ing to the market during [illegible] period, a global shortage of oil looks unlikely in the medium term. But that [illegible] not rule out [illegible] possibility [illegible] a short, sharp disruption in a war.

Oil industry activity in the North Sea across all parts of [illegible] is at a peak, [illegible] in motion [illegible] years [illegible]. It is seen as a [illegible] prospecting area in a [illegible] political environment, and the UK government has obliged [illegible] making exploration [illegible] available [illegible] regular [illegible]. As a result, drilling [illegible] hit a record [illegible] year.

[illegible] level of offshore activity [illegible] been pushed up by two important factors. First, production platforms have had to be modified to comply with new safety regulations [illegible] from the Piper Alpha [illegible] years ago. Second, older platforms like [illegible] in the Brent and Forties fields have [illegible] top [illegible] bottom [illegible] their working life, [illegible] a string of new development projects [illegible] by better technology and [illegible] that has lowered [illegible].

This has been wonderful news for Britain's [illegible] service and supply industry, just as the UK economy [illegible] slipping [illegible]. But some [illegible] that industry say [illegible] have risen [illegible] rapidly and [illegible] level of activity [illegible] drop sharply in years [illegible].

Internationally, [illegible] most exciting part of the landscape will continue to be the [illegible] Union where [illegible] oil companies [illegible] joint [illegible]. It is seen as possibly the [illegible] underexplored region [illegible] world that may hold out [illegible] prospects. But [illegible] agreements [illegible] little flesh on them, and the real race among oil companies is [illegible] in the field and come [illegible] with oil and profits. That could take many [illegible].

In the longer [illegible], the [illegible] expensive and worrying [illegible] on oil company agendas is the environment. The strength of [illegible] environmental [illegible] was shown when even pressure brought by the Gulf [illegible] plus explicit support from the US government, failed to help Chevron [illegible] objections [illegible] production on its Point Arguello platform off the [illegible] California.

In refining [illegible] marketing, oil companies collectively will have [illegible] spend billions of dollars [illegible] clean up operations in the [illegible] ahead.

Steven Butler

Clear victor on sharp screens

THE American semiconductor industry will this year look to a traditional strength in its attempt to slow Japan's domination of the chip business: US government pressure.

The five-year US-Japan semiconductor agreement comes to an end this summer and the [illegible] their government to ensure its renewal in some form. But Japanese industry and government representatives are equally insistent that it [illegible] not be renewed.

The 1986 pact was designed to prevent the dumping of Japanese chips on the US and world markets. It was also intended to open Japan's chip market to foreign suppliers.

The US chip makers accept there is now a "more positive trading relationship" between the two countries. As a result, the Americans are prepared to see an end to the 1986 "fair market value" pricing system under which the US Commerce Department determines a fair price for Japanese memory chips on a quarterly basis.

The US industry wants further action, however, on the understanding between the two countries that the foreign share of the Japanese market should be increased to 20 per cent. Although it has improved, the foreign [illegible] is still some way short of that goal. The Japanese, for their part, say their market is now open to foreign suppliers. All that holds the foreigners back is their level of service and reliability, the Japanese say.

Europe's dwindling band of chip companies face increased competition on their home ground from US [illegible] manufacturers. [illegible] Instruments of the US is setting [illegible] chip plant in Italy. Fujitsu of Japan is building a factory in [illegible] UK; Hitachi and Mitsubishi are setting up in Germany.

The European companies have put their faith in Jessi, the $5bn Joint European Submicron Silicon research initiative. [illegible] Philips of the Netherlands, which will report large losses this year, has cut [illegible] commitment [illegible] the programme. An additional problem for Jessi is that the newly-arrived Americans [illegible] Japanese [illegible] insist that, as European [illegible] manufacturers, they should be allowed to join.

According to Mr Jim Eastlake, of the consultancy Dataquest, worldwide semiconductor sales will increase by 9.3 per cent to $63.8bn in 1991.

In the consumer electronics field, 1991 should provide further evidence of whether Europe has any prospect of catching up with Japan in high definition television (HDTV).

All consumer electronics companies, east and west, believe that HDTV will be the most important technology of the 1990s. The sharp screens will find their way into medical, defence and industrial technology, as will the semiconductors used in high definition sets. Philips and Thomson of France say they are making good progress in developing high definition systems. The Japanese, however, in close collaboration with their government and broadcasters, are well out in front.

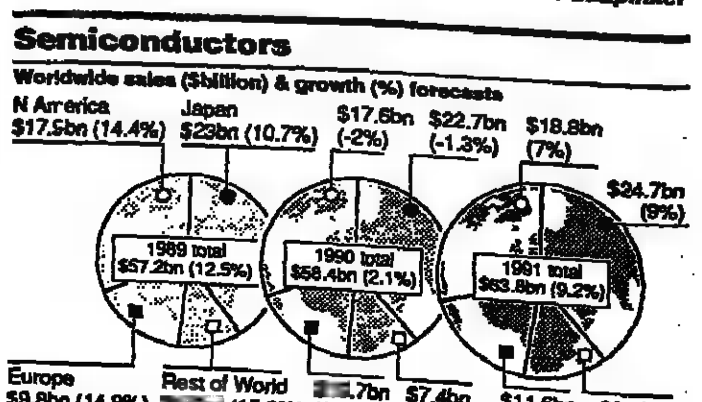
Europe has been trying to develop D2-Mac, an intermediate system with clearer pictures than those that appear on screens today but which falls short of HDTV. However, the Europeans have been dealt a severe blow by British Satellite Broadcasting's decision to abandon D-Mac, the UK version of D2-Mac, and merge with Sky Television. BSB had offered [illegible] most [illegible] definition television service in Europe.

The Japanese, by contrast, are ready to launch a fully-fledged high definition broadcasting service. NHK, the Japanese broadcasting corporation, has transmitted an hour of high definition television daily since June 1989. At the end of this year or the beginning of 1992, NHK intends to start broadcasting eight to 10 hours of HDTV a day.

The consumer electronics market worldwide will grow by [illegible] to $130.1bn in 1991, says Mr David Mercer of BIS Mackintosh, a high technology consultancy. But he expects consumer electronics sales in Japan to grow by only 3 per cent this year to $22.6bn. Sales in western Europe will be slightly healthier, up by 5 per cent to $42.3bn. US sales will rise by 6 per cent to $26.6bn.

Michael Skapinker

Semiconductors



Continued on Page 21

Trucks: the road to restructuring

AFTER HALF a decade of rising sales, demand for trucks in western Europe began to [illegible] last year. The development is uneven, however, with the already steep recession in some markets such as the UK and Spain being balanced by strong growth in Germany.

The sharply differing fortunes of key markets is leading to a stark divergence in the financial performances [illegible] Europe's truck producers. The German truck makers Daimler-Benz and MAN are still very busy, with MAN enjoying [illegible] record level of new orders and lengthening delivery times.

By contrast, some truck makers that have been exposed to the steep downturn in the UK and Spanish markets in particular, [illegible] as DAF of the Netherlands, Enasa, the Spanish producer of Pegaso trucks, and ERF of the UK have already plunged into loss.

Most UK producers have been forced onto short-time working for parts of the year and have cut their workforces. Several UK truck makers' output in 1990 was only half the level of the previous year.

According to a recent report from Automotive Industry Data, the UK-based [illegible] analysts, "[illegible] European truck market [illegible] been looking steadily more ragged as [illegible] slipping in most markets during the second half of 1990, prompting truck makers to build fewer trucks than during the [illegible] period of 1989."

The report [illegible] that European truck production (above 3.5 tonnes [illegible] vehicle weight) in the first eight months of 1990 [illegible] 10.7 per cent lower than a year earlier.

DRI Europe, a leading European automotive forecaster, suggested in its latest study that new truck registrations (above 3.5 tonnes) would fall in 1991 in 15 markets to 313,000 from 318,000 in 1990 and 334,000 in 1989. Truck production (above 3.5 tonnes) in western Europe is expected to drop to 375,000 in 1991 from 377,000 in [illegible] 421,000 in [illegible].

Demand in [illegible] weakened [illegible] seriously in the UK, Spain, Sweden and the Netherlands. By contrast, German truck sales have risen for a sixth year in succession.

The renewed pressures on margins and mounting investment needs are leading to another wave of restructuring. Losses are not confined to Europe, however; several truck makers in north America have also suffered.

Japanese heavy truck makers, led by Hino and Nissan Diesel, continue to benefit from high domestic and export demand. But the slump in sales of midget commercial vehicles in Japan has deepened and the total output of [illegible] vehicles fell by around a fifth in the first half of 1990, hitting [illegible] small van makers, such as Daihatsu and Suzuki.

In western Europe, truck makers face the deregulation of the road haulage industry in the single European market [illegible] effect after 1992, with [illegible] uncertain impact on demand.

Commercial vehicle producers must decide whether to expand distribution and sales networks or set up local assembly operations in eastern Europe. Daimler-Benz has already announced plans to build a truck assembly plant in eastern Germany, and has reached an agreement to build licensed bus production in the Soviet Union.

In Europe the concentration of the commercial vehicle industry is gathering pace, partly under the pressure of falling sales, but more importantly in the face of mushrooming costs for new product development and the need of meeting tougher environmental regulations.

In the most significant realignment of forces in the European truck industry to date, Volvo of Sweden and Renault of France have embarked on a far-reaching alliance, which will make the new combination the world's biggest heavy truck maker, ousting Daimler-Benz of west Germany from its traditional leadership of the industry.

Iveco of Italy has followed with the acquisition of a majority stake in Enasa, the troubled Spanish state-owned maker of Pegaso trucks, which includes Seddon Atkinson, the specialist UK maker of heavy trucks.

After these deals and MAN's acquisition of the Steyr truck operations in Austria, the industry is now dominated by three groupings: Daimler-Benz, Iveco (including [illegible]) and Renault/Volvo with shares respectively in the overall truck market (6 tonnes and above gross vehicle weight) of [illegible], 22.5 and 21.7 per cent.

In the shadow of the big three, there is a further group of [illegible] truck makers, DAF of the Netherlands, which took over Leyland of the UK in 1987, MAN (including Steyr), and Scania, the heavy truck subsidiary of Saab-Scania of Sweden.

The challenge of 1991 will be to make the new combinations work in a market that in many countries is sliding deeper into recession. At the same time, many in the truck industry are convinced that the restructuring is far from finished.

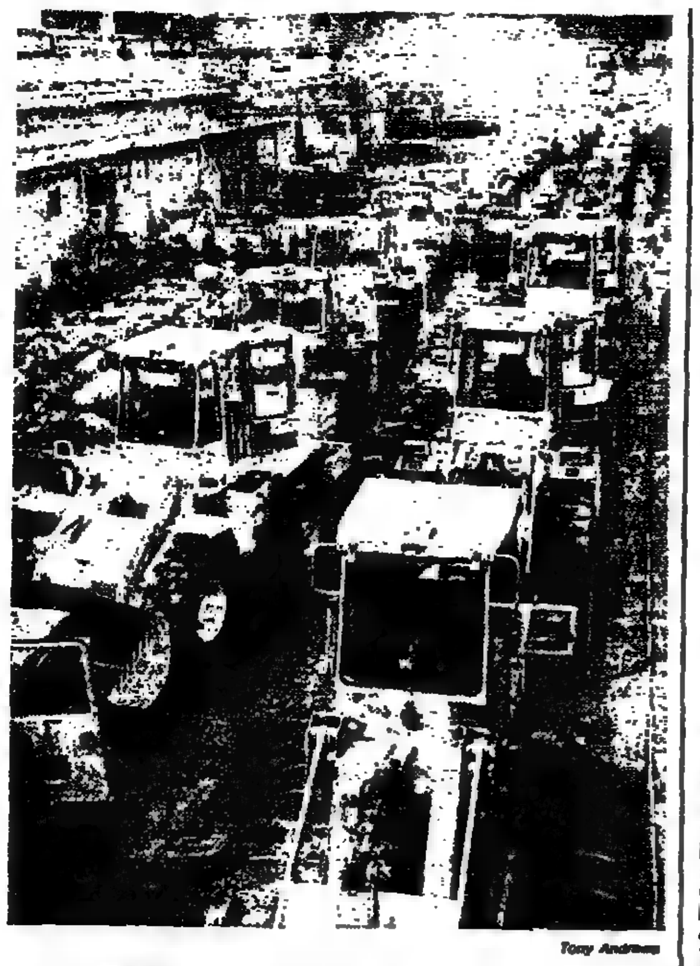
By the end of the 1990s, says Mr Helmut Werner, deputy chairman of Mercedes-Benz, "Europe will have three supranational alliances, each with a major company at its core."

While the clouds have darkened over much of Europe's truck industry, US heavy truck makers have already endured two years of falling sales.

Navistar, the US heavy truck market leader, slumped to a net loss of $11m in the 12 months to the end of October.

Faced by an expected $180m loss at Mack in 1990, Renault Véhicules Industriels, the commercial vehicles subsidiary of Renault, took over the 55 per cent of equity it did not own. Restructuring Mack is now the French group's "top priority."

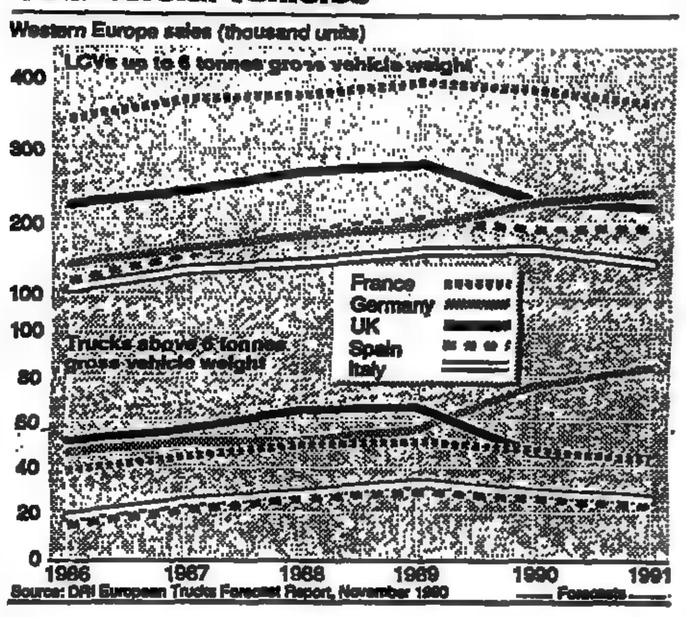
Kevin Done



Tony Andrews

The production line for [illegible] and loaders at the Dormash [illegible] plant in Minsk, Soviet Union

Commercial vehicles



Source: DRI European Trucks Forecast Report, November 1990

Time to fasten seat belts

WORLDWIDE DEMAND for new cars is expected to fall this year for the first time since 1987. Car makers in north America and western Europe are preparing to face harsher times, as profits are squeezed and competition intensifies.

In the US in particular the traditional "big three" car makers, General Motors, Ford and Chrysler, are struggling to maintain profitability as the core north American automotive operations fall again into loss. Financial analysts have begun to speculate about the security of dividend payments.

Ford has recently warned that it expects to report a deficit for the final quarter of 1990, its first quarterly loss in eight years. It has faced mounting [illegible] from its domestic auto business, as the US car market [illegible] and a [illegible] of US buyer incentive programmes [illegible].

The overall US car market declined again in 1990, and the US auto industry expects a further fall this year. According to Ford, total US car and truck sales are likely to decline to around 13.5m this year, 5 per cent down from the 14.1m achieved last year. Total US car and truck sales peaked at 16.3m in 1986, but fell to [illegible]. There was a short-lived recovery in [illegible], but the downward trend resumed in 1989 with a drop to [illegible]. Sales this year are expected to be 17 per cent below the 1986 peak.

Mr Philip Benton, Ford Motor president, warned last month that the company could see its US white-collar workforce cut by up to 7 per cent this year. "Profits are under enormous pressure in the north American market ... no-one in his right mind would go into the car business in north America."

GM, still the world's largest vehicle maker, was forced to announce late last year a $2.1bn special charge against its earnings for the third quarter of 1990 for a restructuring programme that includes the closure of at least four US plants and provision for closing additional parts, assembly plants and warehousing operations. As a result, it recorded a net loss of $2bn for the third quarter.

The relentless Japanese challenge is one of the biggest factors behind the pressure now being exerted on the traditional US producers.

The focus of the Japanese effort to build a global car production base may now have turned towards western Europe, but to date the US domestic producers have borne the brunt of Japanese competition. Cars have started to roll in increasing numbers off the lines of the Japanese assembly plants developed in [illegible] during [illegible] half of the 1980s.

Mr Harold Poling, Ford chairman, warned last month: "Competition in the automotive segment will continue to be brutal. Japanese transplant production in the US is expected to increase from 1.3m units in 1989 to 2.4m in 1992. This will only compound excess worldwide automotive capacity, which reached 8.4m units in 1990. The impact has been felt most severely in north America, where nearly 6m units of that excess is being aimed."

In western Europe new car sales fell last year, ending five successive years of record sales. Sales peaked at [illegible] and were 1.1 per cent lower in the first 11 months of 1990 and are expected to fall again in 1991.

According to Mr Carl Hahn, chairman of the management board of Volkswagen, Europe's leading car maker, new car demand is expected to remain strong in Germany but to weaken in other western European markets and in north America. VW expects some improvement in south America after the difficulties experienced last year.

The performance of different markets in western Europe began to diverge widely last year with the UK and Spain in particular falling into steep recession, while sales in Germany, the largest single European market, rose strongly, stimulated by demand for cars in eastern Germany.

Volkswagen and General Motors of the US (Opel/Vauxhall) have continued to enjoy buoyant demand in Europe, but some other European car makers such as Fiat of Italy have already been forced to cut production and lay off workers.

Smaller European producers such as Volvo, Saab and Jaguar have been hard hit by falling sales in north America and Europe. Success in the Japanese market has been unable to compensate for the decline elsewhere, and Volvo, which is facing a simultaneous decline in its three main markets, the US, the UK and Sweden, has fallen into loss in its car operations, following Saab and Jaguar into deficit.

Japanese car makers, which pose the gravest challenge to established producers in north America and Europe, have been boosted by strong demand in their domestic market and are also enjoying growing foreign sales helped by the expansion of their overseas production network. New car registrations in Japan jumped by 11.9 per cent in 1988, by 18.5 per cent in 1989 and by an estimated 12.4 per cent last year.

According to DRI, the automotive analysts, the [illegible] of expansion in Japan will [illegible] this [illegible] with a fall of around 4.4 per cent to 4.73m from record sales of 4.95m last year.

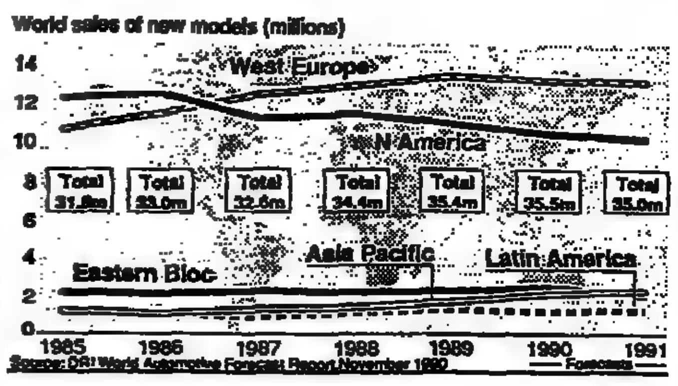
This year DRI expects new car demand worldwide to decline by around 1.3 per cent to 35m from 35.5m in 1990, with only the Asia Pacific and Latin American markets likely to be resilient against the general depression.

In the short to medium term DRI says that the prospects for the world car industry will be dominated by the Gulf crisis, while in the longer term key factors include the European single market and the pace of [illegible] liberalisation, opportunities arising in eastern Europe and calls for environmental protection.

The outlook is brighter from 1992 to 1995 with a forecast rise in world car sales by [illegible] per cent to just under 37m units for 1992, and demand rising to almost 40m units in 1995.

Kevin Done

Cars



Source: DRI World Automotive Forecast Report November 1990

Demand this year is likely to fall but the outlook is brighter from 1992 to 1995

Motor components: threat of the 'transplants'

MUCH OF the [illegible] components industry [illegible] a year of falling demand, an increasingly tight squeeze on profit margins and intensified competition from Japanese suppliers setting up an ever-greater number of "transplant" manufacturing facilities outside Japan.

The relatively lacklustre prospects are mainly the inevitable consequence of weakening economies, western Europe's car markets faltering after four successive years of record sales, a sharp downturn in north American car and truck markets and the uncertainties of the Gulf crisis.

One components sector in particular, the $47bn a year world tyres business, is plunging towards a crisis of its own: Tyre over-capacity is growing as new production facilities in which the industry has invested heavily during the past three to four [illegible] have begun coming on stream at the same time as markets weaken.

Most of the six leading tyre makers, who together control more than 80 per cent of the world market, are descending into [illegible]. And after a year in which Groupe Michelin took over Uniroyal Goodrich [illegible] to [illegible] the world's largest tyres group, the prospect [illegible] further large-scale rationalisation with a possible merger between the tyre activities of Pirelli of Italy and Continental AG of West Germany.

There are partial exceptions to the overall [illegible] components picture.

□ Germany's [illegible] industry is [illegible] as it endeavours to meet the transport [illegible] of a new united Germany;

□ [illegible] production in Japan is continuing to expand against a background of high economic growth and a booming domestic car market;

□ the UK, despite falling domestic vehicle sales and the prospect of a squeeze for component suppliers in the short term, is the chosen site by Nissan, Toyota and Honda for car production. Their combined output is likely to be more than ½m vehicles a year before the end of the decade.

With total UK output of 2m-plus cars a year expected from the mid-1990s onwards – compared with less than 900,000 in the early 1980s, the country is thus witnessing the start of an inward wave of investment by foreign component makers, ranging from Robert Borsch of West Germany and Nippondenso of Japan.

At the beginning of 1990, an eastern [illegible] emerging from communism, and still relatively unmotorised, was seen as offering great potential [illegible] both the [illegible] vehicle and component industries. Though the potential is still there – as Volkswagen's takeover of Skoda of Czechoslovakia and ambitious vehicle projects by Fiat in the Soviet Union, illustrate – the initial enthusiasm has become muted as the full [illegible] of [illegible] region's economic and industrial problems has become apparent.

Yet even the expansionist [illegible] components industry is not without its problems. The sharp growth in car demand in Japan of the past five years probably has some way to run, as the number of vehicles per head [illegible] population [illegible] only about a half of [illegible] levels. But component makers are increasingly being hit by labour shortages in a country where there are now about 1.5 jobs available for each person able to fill them.

The result has been a sharp increase in labour costs, narrower profit margins and a growing search for overseas production sites.

Indigenous North American and European component manufacturers thus face the prospect of even stiffer competition from their Japanese counterparts than expected.

They had envisaged that the 300 Japanese component suppliers who have set up shop in the US would seek business from General Motors, Ford and Chrysler as well as the Toyota, Nissan [illegible] other car "transplants" which provided their initial incentive to go to the US.

The European components industry expects similar overtures to Peugeot et al from Japanese suppliers to the UK "transplants".

What it has not necessarily bargained for is the larger-scale influx of Japanese component makers likely to occur if investment [illegible] are based not just on supplying [illegible] plants [illegible] all types inside Europe, but on shipping components as a matter of course back to car plants in Japan.

This is already happening in the US, from where Akebono Brake Industry, for example, is shipping more than 100,000 brake pad sets a year to Japan. It expects to ship far more.

John Griffiths

Steel: story of downturn is familiar

THE CLOUDS are gathering over the world steel industry. After several years of strong growth, producers are preparing for something much more familiar: a downturn which will put their finances under renewed pressure.

Only in the last few years has the industry recovered from the crisis of overcapacity which developed in the 1970s and lasted until the mid-1980s. That crisis prompted different approaches to restructuring in Europe, the US and Japan: these will be tested in the next few years.

In Japan steel groups cut back on capacity but diversified into electronics and other growth industries. Latterly, Japan's steel producers have followed its auto makers into the US market.

The US industry was rationalised further and faster than most others. Most US integrated steel producers are dependent on joint ventures with Japanese steelmakers. The recession will test whether Japanese technology, [illegible] and management expertise [illegible] changed an [illegible] try still fragile [illegible] traumas of the last few years.

In Europe price controls and production quotas imposed by the European Commission had some success in reducing overcapacity in the crisis of the 1970s and early 1980s. But the [illegible] regime [illegible] politically negotiated [illegible] than a [illegible] to high [illegible]. As a result, Europe has a steel industry made up of producers with [illegible] structures. There [illegible] only limited [illegible] an international restructuring of the industry within Europe which would allow the lowest cost producers to expand at the expense of the least efficient.

This recession comes as the EC and its steel producers are considering whether to amend the Treaty of Paris which sets the framework for regulating the industry. [illegible] from steel consumers, and some producers such as [illegible], to have the treaty abolished has [illegible]. It is [illegible] certain that, as the downturn [illegible] momentum, [illegible] will be calls for the crisis [illegible] to be reimposed to protect the industry from competition. This [illegible] will be a test of how far the European industry really has been de-politicised.

World steel production next year is forecast to fall to 454m tonnes, the same level as in [illegible], compared with a low of [illegible] in [illegible] according to the [illegible] Intelligence Unit and the International [illegible] and [illegible] Institute. However, the [illegible] in output will be unevenly shared [illegible] world's steelmakers.

Producers in Europe, the US and Japan will bear the brunt of the downturn, while [illegible] in the developing world such as Taiwan, South Korea and Brazil will continue to expand output. This [illegible] intensifying [illegible] conflicts over [illegible] as developing countries seek export markets for their growing output while producers in the developed world attempt to [illegible] their [illegible] market [illegible].

Steel producers are already coming under pressure. British Steel, which suffered a 27 per cent drop in pre-tax profits for the first six months of 1990-91, is making more cuts to reduce costs. Hoogovens, the Dutch producer, is in the midst of a four-year cost-cutting drive, while Cockerill Sambre and Arbed, the Belgian and Luxembourg producers, are discussing pooling some of their interests. Ilva, the reconstituted Italian state-owned group, [illegible] one of the guiltiest parties in [illegible] expanding at a time when the European industry was already hit by overcapacity. It is now showing a new interest in rationalisation.

However, the future of the European steel industry really turns on Germany, which accounts for a third of EC production. Restructuring in Germany has not moved as swiftly as in other countries [illegible] as Britain and the US.

In the US Inland Steel recently announced sharply lower profits. This presages similar reports from other integrated producers. Many, such as USX, are still only just finding their feet after the turmoil of the last decade.

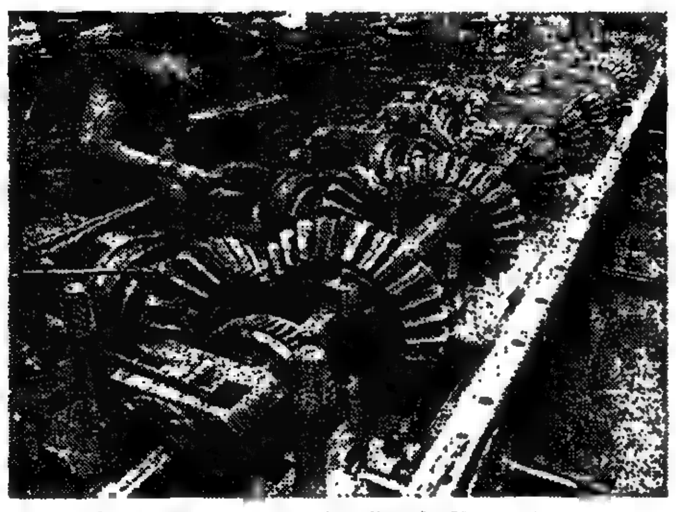
In addition to these economic [illegible] steel producers [illegible] having to come to terms [illegible] technological and environmental challenges that will require [illegible] investment in the next few years.

The competitive threat of the mini-mills such as Nucor is growing. These are at the leading edge of innovative methods, such as thin [illegible] casting which cuts the number of steps in the steelmaking process and improves quality. Integrated steelmakers are already investing in rolling and finishing facilities to provide special coatings as well as secondary [illegible] such as vacuum degassing to improve quality. In the next decade they may have to invest in even more radical technologies. [illegible] Steel's research programme is focused on thin strip casting – a step beyond thin [illegible] – which should further reduce the steps in steelmaking.

In addition, steelmakers face pressure to make production less environmentally damaging. This will require investment in basic steelmaking processes, particularly blast furnaces [illegible] coke production. Most integrated steel producers have [illegible] ovens to turn [illegible] into coke. Environmental controls will oblige [illegible] to invest in technologies such as [illegible] coal injection [illegible] coal to be used [illegible] furnaces.

The [illegible] were a brief respite [illegible] world's [illegible] makers. In the next few years the financial, technological and environmental [illegible]ures on them will mount.

Charles Leadbeater



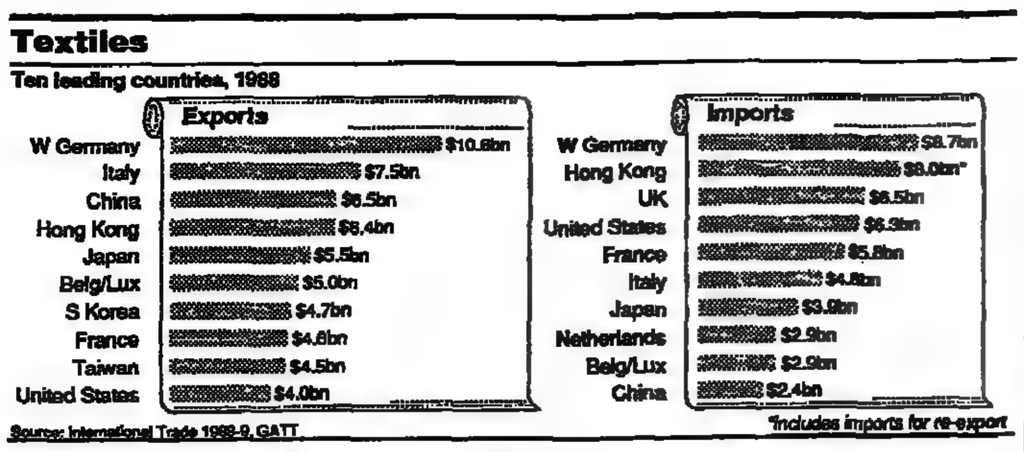
[illegible] gear [illegible] being [illegible] at Davy's [illegible]

STEEL: THE MAIN PRODUCERS

(figures in millions of tonnes)

	1988	1989	1990*	1991*	1992*
[illegible]	11.2	[illegible]	10.7	[illegible]	11.0
France	19.0	19.3	18.6	[illegible]	19.8
Italy	23.7	25.1	24.1	23.6	24.5
Netherlands	5.5	5.7	5.3	5.4	5.8
Spain	11.9	12.7	11.9	11.3	12.3
[illegible]	[illegible]	[illegible]	17.4	17.0	[illegible]
W Germany	41.0	41.1	38.6	37.8	40.8
European Community	[illegible]	[illegible]	131.4	129.1	137.7
Turkey	8.1	7.7	7.9	8.9	[illegible]
Europe outside EC	25.7	25.1	24.5	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	90.1	[illegible]	81.5	77.7	[illegible]
Brazil	24.7	[illegible]	23.5	[illegible]	[illegible]
[illegible]	[illegible]	21.9	22.1	21.3	[illegible]
Canada	15.2	15.4	14.0	14.9	16.1
India	14.3	14.4	14.1	14.5	15.8
[illegible]	[illegible]	9.5	8.6	8.4	9.1
Taiwan	8.3	8.6	7.5	7.9	10.0
Mexico	7.8	7.7	7.3	8.2	8.1
Australia	6.4	6.7	6.3	6.3	6.7
[illegible] TOTAL†	[illegible]	[illegible]	452.9	[illegible]	473.7

[illegible] †Includes other producers Sources: IISI, Economist Intelligence Unit [illegible]



The future: still way down the agenda

WHICHEVER WAY [illegible] look at *it, 1990 was* [illegible] *ghastly* [illegible] the international [illegible] and clothing industries.

[illegible] material prices ricocheted up and down. The US, [illegible] *single source of* [illegible] and clothing [illegible] slipped into recession. Worst of all, the [illegible] ministers procrastinated – and procrastinated again – over the fate of the Multi-Fibre Arrangement.

[illegible] dominant [illegible] of the year was the future of the MFA. By the beginning of the year all the various factions in [illegible] industry had agreed, or [illegible] that the MFA would not be renewed when it expired [illegible] would, [illegible] future, come under [illegible] of [illegible] Agreement on Tariffs and Trade.

Yet when [illegible] to [illegible] ering what, if anything, should [illegible] present [illegible] whether it would be phased [illegible] and, if so, [illegible] what period, the industry [illegible] in disarray. The Europeans argued for one thing, the Americans for another and [illegible] developing [illegible] both.

[illegible] *problem for* [illegible] industry was that nothing, but nothing, [illegible] about deciding [illegible] future of the $200bn [illegible] world textile trade until the squabbles over farming reform had been settled. Throughout the year the world's trade ministers shuttled from summit to summit. The farming feud simmered on. Textiles [illegible] still [illegible] long [illegible] from the top of the agenda.

The uncertainty [illegible] MFA may have been the dominant issue in international textiles [illegible] but there were *many other issues for the* industry [illegible] mull [illegible].

The fluctuation [illegible] material prices posed [illegible] problems for some sectors. The *sharp fall in wool prices last* summer was [illegible] for some companies, which were left with high stocks of overpriced fibre.

The spectre of US protectionism surfaced last autumn when [illegible] International Trade Commission upheld an anti-dumping action against acrylic sweater manufacturers in Hong Kong, South Korea and Taiwan. The action, the biggest anti-dumping case in the US since the steel industry fracas of the early 1980s, caused considerable concern in the Asian clothing industry.

The US economic slowdown has [illegible] a cloud over the industry

At the same time the economic slowdown in the US – [illegible] the instability [illegible] the American retail sector, still blitzed by the leveraged buy-*outs of the late 1980s* – have cast a cloud over the industry.

The sluggish state of the US market has already created difficulties for its textile and clothing manufacturers many of whom – notably Burlington and Farley Industries – are also struggling against the legacy of LBOs. These problems have been aggravated by a sharp increase in US *imports*.

This *scenario* has been replicated in the UK, where the textile and clothing industries are also struggling against a slowdown in consumer demand and *increasing imports*. Thousands of jobs were lost in the UK last [illegible] and [illegible].

Trading [illegible] in conti[illegible] *Europe* [illegible] *rather* healthier. However the changes in [illegible] Europe [illegible] causing concern in some sectors of the industries.

The *optimists* see the opening of eastern Europe as an opportunity to reach new consumers. The pessimists see the region – which, according to one estimate, has twice as much textile capacity as western Europe – as yet another source of low cost competition.

In [illegible] meantime, expansion of the emerging [illegible] clothing producers [illegible] and, to a lesser extent, Africa, at the expense of the established players in Europe and North America seems set to continue.

Even in Asia the textile and clothing industries are in a state of flux. South Korea and Taiwan *are now* [illegible] problems [illegible] Kong [illegible] faced since the mid-1980s of trying [illegible] higher [illegible] labour shortages by [illegible] the quality [illegible].

The new generation of low cost textile producers – Malaysia, Indonesia and Thailand – is continuing to gain momentum. And that trend shows [illegible] – [illegible] happens to the MFA.

Alice Rawsthorn

The cycle's low point

THE OUTLOOK for manufacturers of [illegible] – major domestic electrical [illegible] – is the bleakest *for* [illegible] *America*, and [illegible] brighter in Europe or Japan.

[illegible] Hassenberg of [illegible] York securities firm Donaldson, Lufkin [illegible] Jenrette estimated [illegible] that US factory shipments would drop by 5 to 10 per cent in 1991, after [illegible] year, [illegible] *said* [illegible] industry [illegible] vulnerable [illegible] 15 [illegible].

In Europe, [illegible] expect overall demand [illegible] fall by 1 to 2 [illegible] cent this [illegible] per cent [illegible] In Japan, white [illegible] will [illegible] happy if *sales match* [illegible] *year's level*.

The industry [illegible] only [illegible] of war [illegible] but [illegible] finds [illegible] low points on the replacement cycle in many countries. With [illegible] life span [illegible] many major appliances [illegible] 12 [illegible] more, many [illegible] established [illegible] traded up in the [illegible] defer [illegible] for some [illegible] yet.

This means manufacturers [illegible] little reason [illegible] immedi[illegible] optimism. [illegible] in many European and north American [illegible] sharply with the [illegible] only a [illegible] years ago when they [illegible] on [illegible] binge of [illegible].

But Whirlpool, [illegible] largest manufacturer, is determined not [illegible] long-term course, according to Mr David Whitwam, president. *Whirlpool this year is expected* to take full ownership of the European business in which it bought a majority [illegible] ing from Philips in 1989.

Maytag, its US rival, needs lower UK interest rates to reap the benefits of its purchase of Hoover in 1988. The joint *venture between Britain's General* Electric Company [illegible] US [illegible] much fruit yet, although [illegible] chosen an opportune moment to sell GE [illegible] per [illegible] in Hotpoint.

Swedish-based Electrolux, the [illegible] acquisitive appli[illegible] company in the late 1980s, has already [illegible] pull in [illegible] horns. In the first nine months of 1990, profits fell by 62 per cent. Electrolux is cutting its [illegible] by 10 per [illegible] and its [illegible] subsidiary, *White Consolidated, may* be the least well-placed to cope with the troubled north American market.

Looking at the US, Mr Hassenberg says: "Replacement demand is less robust than normal, and the average age of appliances in consumers' *hands is younger than usual*. As a result, changes in consumer confidence will play a more important role than normal in determining demand."

Germany is the only bright spot in the European market, but its buoyancy is almost entirely a result of demand [illegible] *Länder*. Few expect this to continue on the same scale. Microwave oven sales have fallen in northern Europe, having reached a resistance point in penetration and run up against a health scare in the UK.

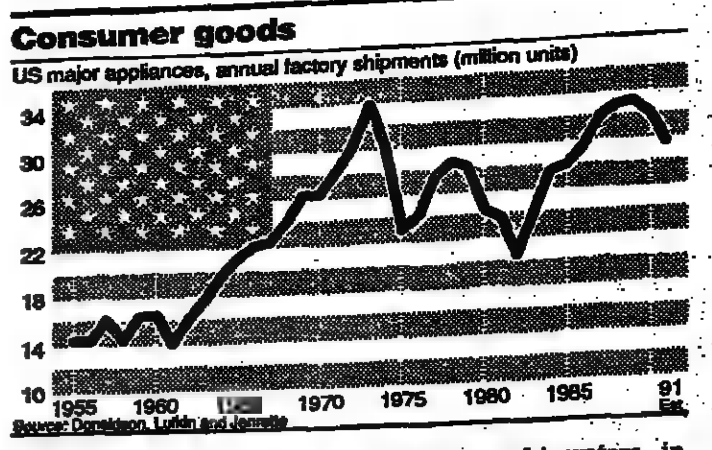
In Japan, interest rate rises and the housing market slowdown are having an inevitable, depressing effect. But manufacturers such as Matsushita Electric see continued growth in dishwashers and washing machines, [illegible] more Japanese move up from twin tubs.

In oth[illegible] categories, the Japanese market [illegible] showing [illegible] of saturation. For example, replacement demand for refrigerators peaked in 1990, and total sales are likely to decline this year. Yet sales of models both below 120 litres capacity and *those larger than* 400 litres are expected to increase.

This underlines the importance of product innovation in slack markets. When consumers do not *need* to buy, they must be persuaded to. In Japan, as well as in Europe, multi-door refrigerators in which compartments are kept at closely controlled tempera-*tures* are benefiting from increasing sophistication about food and concern about safety.

Despite the challenge of making products more "green" – replacing CFCs in cooling systems and insulation, improving energy efficiency and reducing water use and pollution – environmental concerns may give manufacturers one of their best selling points of the 1990s. If, that is, consumers are willing to back *their hearts with cash*.

Clay Harris



War may boost orders

[illegible] have entered [illegible] 1990s [illegible] crossroads [illegible] development. [illegible] in international [illegible] during the *past* [illegible] *danger* [illegible] being reversed as Europe, north America [illegible] Japan struggle against [illegible] recession, [illegible] Middle [illegible] against [illegible] of [illegible].

A war [illegible] Iraq, conversely, could boost construction orders [illegible] spending on defence increases. Other Middle East [illegible] own borders, might step [illegible] on new [illegible] – particularly if [illegible] price rises substantially [illegible] spending power.

[illegible] spending [illegible] be curtailed [illegible] uncertainty [illegible] to [illegible] the conflict [illegible].

[illegible] large [illegible] construc[illegible] were [illegible] Middle [illegible] market [illegible] its [illegible] are now preparing [illegible] case [illegible] is a resurgence [illegible] construction demand in the region.

Though eastern Europe and third [illegible] countries also need investment in infrastructure [illegible] new industries, [illegible] nations have no money to pay for it. Western banks are reluctant to finance all but a few *well-researched projects which* have the potential to earn hard currency to repay debts.

John Brown, the engineering arm of Trafalgar House, and Taylor [illegible] UK groups that have won work in the Soviet Union on this basis. Cogefar is among several large Italian companies with [illegible] tracts in eastern Europe. But opportunities to tender remain [illegible] on [illegible] ground.

[illegible] growth [illegible] exports during [illegible] late 1980s have been [illegible] Europe and fast[illegible] economies in south-east [illegible]. However, [illegible] countries [illegible] to [illegible] the sharp [illegible] international [illegible].

Contractors in [illegible] UK, [illegible] construction output has [illegible] every [illegible] 1981, have become increasingly reli[illegible] on the [illegible] market [illegible] work. Now, as in the US, the market [illegible] the UK, where [illegible] eral continental [illegible] groups [illegible] up operations or taken strategic [illegible] in local contractors, has turned down [illegible] sharply as [illegible] risen and [illegible] come [illegible] pressure.

A survey of the world's 250 biggest international contractors by ENR, the authoritative international construction *magazine published in the US* by McGraw-Hill, showed that cross-border orders rose by almost a fifth in 1989 following a 27 per cent increase in 1988.

The value of international orders won by the 250 companies in 1989 was $112.6bn. This was well below the peak of $123bn in 1982: the Middle East accounted for over $50bn, or more than a third of all contracts won that year.

The Middle East has now been overtaken by Europe and Asia as the biggest and fastest-growing markets for cross-border contracts. The value of export orders won by foreign contractors in Europe in 1989 rose by 30 per cent to $25.4bn. This compares with $19.4bn in 1988 and $17.2bn in 1987.

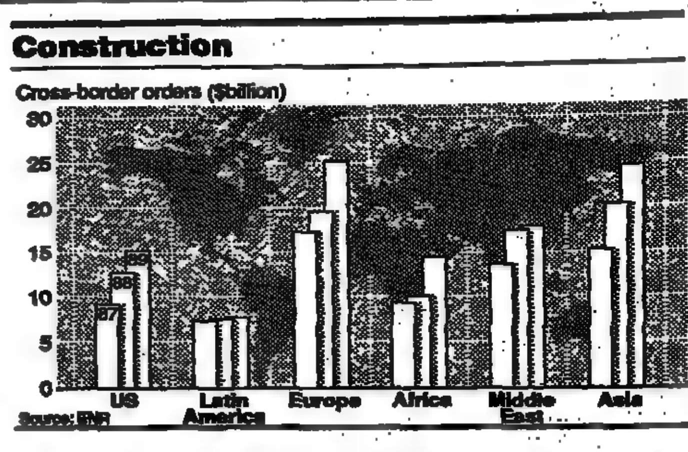
Europe has become the world's largest construction export market, closely followed by Asia where orders rose by 19.5 per cent to $24.5bn in [illegible]

The huge changes taking place in Europe, including the planned removal of trade barriers in 1992 between the Community countries, and the the easing of economic and political restrictions in eastern Europe, have led to a number of acquisitions, stake building *and joint ventures among western European contractors*.

Contractors have become more sophisticated in raising private sector finance to fund work which might otherwise not have taken place – recent examples of such infrastructure projects include the Channel Tunnel, toll roads in Indonesia, petrochemcial plants in the Soviet Union and transport schemes in Hong Kong.

Hong Kong remains a very active market for overseas contractors but there are fears that this work could tail off the closer the colony gets to hand *over to the Chinese in 1997* – notwithstanding plans for a £5bn new airport at Chek Lap Kok off Lantau Island.

Andrew Taylor



Continued on Page 21

MOZAMBIQUE

A shortage of resources is hampering industrial progress, Page 2

Ceasefires along the rail lines may open up some transit routes, Page 5

Negotiations to end a 15-year civil war are under way and Mozambique is moving towards a mixed economy and a multiparty system. However, the rebuilding of a devastated country which is dependent on aid will prove a long haul. Tony Hawkins reports

First steps on road to peace

AMID cautious hopes of a negotiated end [illegible] Mozambique's 15-year civil war, President Joachim Chissano's energies are focused on winning at the polls the victory that eluded him on the battlefield.

Peace would end an ordeal that has forced some 3m people to flee their homes and left over a quarter of the country's 15m population desperately short of food.

So far, however, all that has been achieved [illegible] a year of informal contacts, [illegible] and direct talks is a partial [illegible] covering [illegible] Beira and Limpopo transport corridors.

It could yet fall apart. If the Renamo rebel movement believes – as do many observers – that it will lose the elections that Mr Chissano [illegible] to hold in mid-year, then it will have little incentive to co-operate at the negotiating table.

The rebels have already made one important concession which augurs well for the future. They dropped their original demand that the 8,000-10,000 Zimbabwean troops, who have been supporting the government be sent home. Renamo agreed instead to their being confined to the two corridors.

However, the critical [illegible] will come [illegible] next round of talks, due to take place later this month, for [illegible] participants will [illegible] tackling [illegible] thorny problem of access to power. There are many hurdles to be overcome: the nature of the electoral process, the timing of elections, control of the administration during a [illegible] and [illegible] to the [illegible].

[illegible] issues are [illegible] – which could [illegible] many months – the two sides will still have to agree a country-wide ceasefire and a plan for the integration of their two armies.

Hopes of a successful [illegible]come rest largely on sheer war-[illegible] on the one hand and the withdrawal of foreign sponsorship on the other. In the past 18 months, each side has lost its main foreign paymasters with the withdrawals of South Africa, the Soviet Union and the former communist governments of eastern Europe.

The ruling Frelimo party, however, can still call on the increasingly reluctant Zimbabweans, though for how much longer is unclear.

Recently, Frelimo has had the upper hand, both militarily and in the peace negotiations. The astute Mr Chissano has outmanoeuvred Renamo, shooting both its main [illegible] – the one-party [illegible] the Marxist-Leninist economy.

[illegible] a reborn Frelimo, [illegible] to multiparty [illegible]racy, a [illegible] economy [illegible] introducing a new [illegible] which [illegible] quarrel, [illegible] (which has [illegible] a coherent political programme) has [illegible] to offer the [illegible].

Initially the creature of Rhodesia in the 1970s and latterly of South Africa, Renamo has [illegible] brutalised [illegible] the [illegible] find it inconceivable that such a party, drawn from the ranks of a rag-bag guerrilla army, could win free elections.

The odds are not all stacked against Renamo. There are disaffected groups, especially in central Mozambique, and Renamo has exploited regional and ethnic tensions. Intimidation is bound to feature in the elections and Frelimo can hardly expect to escape all blame for the deepening social misery of the last 15 years.

As the aggressor, Renamo holds one powerful card: only when it agrees will the war end. The option to go back into the bush and resume the strug[illegible] might win votes not because it has a popular programme but because it convinces voters that it is the only party capable of delivering peace.

This is the one [illegible]tage that Renamo still has and it is difficult [illegible] how [illegible] can counter it, other than by winning the war.

While the people may blame Renamo for the war, Frelimo's *volte face* on economic policy is an admission of responsibility for much of the hardship people have suffered.

It is still early days. Mr Chis[illegible] for a mid-year poll seem impractical, and elections are unlikely to be held before [illegible] at the [illegible]. However, there are no signs of [illegible] third force emerging to draw votes from those who have had enough of both sides.

For all the domestic respect and international acclaim that he commands, President Chissano has his own image problem. The core ideology that sustained the party through the revolution and the war against the rebels has been turned on its head.

His critics accuse him of betraying the socialist revolution of Samora Machel, Mozambique's founding president who died in an air crash in 1986; of [illegible] mismanagement on a breathtaking scale; of corruption and of presiding over the "re-colonisation" of Mozambique – today by the donors and tomorrow by private foreign capital.

It is ironic that the Marxist quest for self-reliance should have left the economy so heavily dependent on aid. It has turned the economy into "the Donor's Republic [illegible] Mozambique". The tag is more than just a cynical gibe. It is a fact of life.

"Our oil import bill alone will exceed export earnings in 1991", says industry minister, Mr Antonio Branco. Aid inflows of more than $1bn a year will be needed throughout the 1990s. Aid on such a scale – 76 per cent of gross national product – carries a health warning: it is nothing if not [illegible].

Maputo businessmen rank projects less by their viability than by their eligibility for aid – capital or foreign exchange. A project is a good one if there are Italian, Swedish or Dutch funds to support it.

Chasing the donor dollar has become the most important game in town, whether one is a Mozambican businessman or a foreign salesman. The result is a dependency culture that is the very antithesis of what aid is supposed to achieve.

The ultimate irony is that those who bang the market economy drum the loudest – the donors – are the very ones making investment decisions on the basis of domestic political criteria quite unrelated to market considerations.

Funds are allocated because they fit the donor flavour of the year – be it human rights, the role of women, environmental protection or the informal sector.

Sadly, there is no other option on the table. The economy is in ruins; almost two-thirds of the population live in absolute poverty, meaning that they spend at least 60 per cent of their incomes on food. There are 1.2m refugees, mainly in neighbouring Malawi, and [illegible] 1.75m displaced people within Mozambi[illegible].

Finance minister Mr Magid Osman believes that the war has cost the country $15bn. The education system is in tatters; three quarters of primary [illegible] and 15 per cent of secondary [illegible] destroyed. [illegible] year, [illegible] population had no access to schools, while another 40 per cent are illiterate when they [illegible] school.

The average age of the vehicle fleet is 20 years; only half the paved roads and 15 per cent of gravel roads are in good [illegible]. Foreign earnings from transport – the ports and railways – fell from $112m in 1981 to an annual average of $20m in the last three years.

The constraints on development are obvious: the war and [illegible] run-down infrastructure; acute shortage of skills of all kinds; the shallow state-domi[illegible] financial system; tiny domestic market; and an unsustainable foreign debt and [illegible] payments situation.

The only solution is [illegible]nomic aid along the lines of the Marshall Plan. The priorities are clear – end the war, revive agriculture, inject large amounts of foreign capital to rehabilitate the infrastructure, train the workforce and repay the debt; dismantle controls, privatise state enterprise [illegible] foreign investment.

Mozambique has been a model pupil for [illegible] International Monetary Fund and [illegible] World Bank; [illegible] and [illegible] wider donor community to deliver. They, in turn, know that if they bungle this one, what remains of their reputation [illegible] decade in Africa will sink with[illegible] trace.

Just as South African destabilisation has done so much damage to Mozambique's economy, so developments in South Africa could now help to transform it.

If the economic powerhouse next door prospers, Mozambique is the one country in the region most likely to benefit – from transport, tourism, investment and exports.

Even if all goes to plan – with the peace talks and with the economy – it is still going to be a long haul. It will take 15 years for living standards to return [illegible] their pre-independence levels. However, this will only happen if the donors continue pumping $1bn a year into Africa's poorest economy.

A partial ceasefire has raised hopes for an end to Mozambique's civil war. With peace would come a revival of agriculture, the mainstay of the economy, and the ports and railways could begin to reap the benefits of a rehabilitation programme

Editorial production: Phillip Halliday

A revision of political thinking offers hope, writes **Julian Ozanne**

Painstaking search for peace

IT was a sunny afternoon at Mbuyanguana, on the outskirts of Maputo, when Renamo rebels burst into a wedding party firing AK47 assault rifles. Four people were murdered, four were injured including the groom and 25 children were kidnapped and taken into the bush.

This recent attack, as senseless and cruel an any other in Mozambique's 15-year-old civil war, demonstrated once again the failure of the Mozambican army to defend innocent civilians even within the vicinity of the capital.

However, for the first time since independence in 1975 there are real possibilities for an end to the conflict which has made 80 per cent of the country insecure, destroyed billions of dollars of infrastructure and forced more than a million people to [illegible] their country's borders.

In the past two years, President Joaquim Chissano has searched painstakingly for a political solution which would bring an end to the civil war and [illegible] impoverished country [illegible] for economic revival.

Since [illegible] achievements have been remarkable. [illegible] abandoned the rhetoric of the past [illegible] branded all rebels [illegible] and bandits and shed the naive belief that a military solution was possible. He launched a successful international diplomatic [illegible] to isolate Renamo, backed [illegible] by white Rhodesia (now Zimbabwe) and until last [illegible] by South [illegible] has opened peace [illegible] the rebels, holding four rounds of negotiations within [illegible] last [illegible] months.

[illegible] has steered the country further [illegible] its traditional Communist [illegible] alliance and edged his once rigidly Marxist-Leninist Frelimo party away from socialism and a monopoly [illegible] power towards a liberal multiparty system in spite [illegible] hardline opposition.

The crowning achievement [illegible] this process [illegible] political transition was the new constitution which [illegible] into effect last month. It committed the country to a mixed economy, freedom of the press, an independent judiciary and multiparty elections. It [illegible] marked the culmination of [illegible] radical policy review begun by the [illegible] President Samora Machel in the [illegible] who started the process of reform [illegible] the economic failures became apparent.

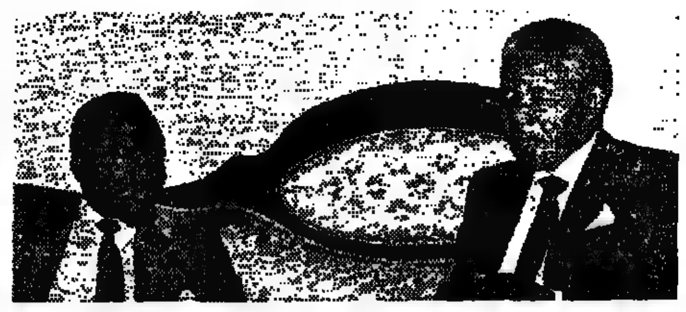
By meeting all [illegible] main political demands of Renamo, Mr Chissano's rapid offensive has called the rebels bluff and caught them off-guard. He has challenged them to surrender their [illegible], form a political organisation and contest power and their popularity through the ballot box. With no test of public opinion it is unclear how much support eith[illegible] side has in the [illegible]untryside.

Signs of Renamo's trepida[illegible] giving up [illegible] armed struggle and their increasingly [illegible] political position have been amply [illegible] recently [illegible] the rebels have [illegible] reduced to criticising [illegible] of Mr Chissano's reform rather [illegible] the sub[illegible].

Some political observers fear that Mr Chissano has gone too far too quickly leaving the rebels little room to manoeuvre and even less chance of being able to come out of the conflict with any credibility.

A partial ceasefire was negotiated last month under which the 7,000 Zimbabwean troo[illegible] stationed [illegible] Mozambique to support [illegible] government are being confined to the transport corridors linking Zimbabwe to Maputo and Beira. An international monitoring commission, including Renamo representatives, has been set up to oversee the agreement.

More talks were scheduled this month between the government and the rebels and observers believe the government is determined to get a full ceasefire agreement by April. But obstacles remain.



President Chissano's first meeting with [illegible] Mandela, the vice-president of the African National Congress, in Zambia

For Renamo to give up their arms, they must have at least the glimmer of winning power. For the moment, all cards seem to be in Frelimo's hands, particularly given its extensive political organisation throughout the country.

Renamo appears nervous of calling for a cessation of the conflict because of the very real possibility that such a move would be ignored and expose the rebel's lack of control over the bulk of their fighters and the degree to which many of them have abandoned a disciplined political struggle for armed banditry against the civilian population.

Even if Renamo and the government can agree on a compromise acceptable to both sides insecurity will continue to plague the countryside for many years. Integration of the rebel forces into the army will prove difficult.

Furthermore, whether multiparty [illegible] can produce a stable political order remains highly questionable. Before Mr [illegible] conversion [illegible] pluralist democracy he, and many senior Frelimo figures, were concerned about the possible eruption of tribalism.

A negative strain of [illegible] Mozambican nationalism has emerged in parliamentary [illegible] on the [illegible]ality. At least one [illegible] the embryonic political parties, the [illegible] and democratic party (palmo) has launched a political critique of the government on the grounds it has given preferential political and economic [illegible] indians, whites [illegible] of mixed race.

At a recent press conference Mr Chissano acknowledged that the decision to opt for a multiparty democracy was not without dangers. He confirmed that the decision had [illegible] taken against widespread oppo[illegible] among ordinary people in the rural [illegible] But argued that [illegible] "the choice of a multiparty democracy results from the need to provide [illegible] new dynamic to the political process."

His vision in [illegible] respect will bode well in the international aid community, which is increasingly pressing the issue [illegible] democratisation in Africa, where, in contrast to other leaders on the continent, he is seen as [illegible] willing, rather than a reluctant, reformer.

It is still very early to judge [illegible] prospects [illegible] political tran[illegible] in Mozambique. But it [illegible] clear that the fundamental revision of thinking in the last two years has given the country a chance, in spite of large [illegible] of climbing out [illegible] the quagmire into which it [illegible] slid.

INDUSTRY: skill shortage slows progress

Difficult year ahead

MANUFACTURING is unlikely to play more than a secondary role during the next decade. An overvalued currency, a small domestic market and an [illegible] shortage of managerial and technical skills will ensure that industrialisati[illegible] very slow [illegible]

Prior to 1987, few consumer items were available in rural areas, and then only at exorbitant prices. Securing the desired supply response in agriculture will partly depend on access by peasant farmers [illegible] moderately-priced [illegible] goods and production inputs. Industry's immediate role is to satisfy these needs as well as processing farm production.

Its share of gross domestic prod[illegible] is 17 per [illegible] – [illegible] from 23 [illegible] cent [illegible]. In [illegible] manufacturing output was 30 per cent below its 1980 level, though [illegible] had recovered some of the ground lost prior to 1986. [illegible] then, production has been growing at 7 per cent [illegible] year though there was an interruption last [illegible] when activity was curtailed by frequent power cuts caused by rebel sabotage.

In spite of this, capacity utilisation is back to 50 per cent from 30 per cent in the mid-[illegible] though much of this capacity is more theoretical than real since the productive base has suffered from neglect, lack of spares, and insufficient maintenance, not to mention war damage.

[illegible] of production [illegible] in three main sectors: food, beverages and tobacco account for [illegible] third, clothing and textiles for 18 per cent and fisheries for 12 per cent.

There are two main immediate policy priorities.

Restructuring [illegible] prise [illegible] agenda. Ten [illegible] ago, four-fifths of industrial output was carried out by the state, but today it is less than half. Mr Antonio Branco, the industry minister, [illegible] the public sector share will be cut to "almost nothing" as privatisation proceeds. Privatisation is partial, with the state retaining a minority stake but giving management control to the new owners.

Secondly, the shortage of resources – capital, skills and management – has forced the government [illegible] its preferred industry sectors. Although such [illegible] task is inherently risky, the very limited options available to Mozambique simplify the task. Agricultural-related activities figure prominently in the preferred [illegible] along with "basic needs" consumer goods, (clothing, textiles, footwear, household goods) and construction [illegible] farm implements.

[illegible] surprisingly, recent industrial proje[illegible] this pattern. Mr Branco says his ministry has given the go-ahead for 12 medium-scale consumer industries each with an investment of some [illegible] – in clothing, footwear, textiles and prefab housing materials.

Textile factory in Nampula

Rehabilitation work is under way at the Matola cement plant where there are plans to expand output five-fold to 600,000 tonnes a year. A new cement factory, supported by the Germans, is under construction at Tete.

Some companies have even managed to break into export markets. The Portuguese group, Amorim, has taken a 55 per cent stake in the Mabor tyre company. It plans to produce [illegible] 800 tyres a day, of which a third will be exported. The Agro-Alpha agricultural equipment factory has won a $1m [illegible] to sell farm equipment to Angola.

An end to the war will enable industry to grow much more rapidly – possibly expanding at 10 per cent a year from 1992 onwards. The current year threatens to be a difficult one for industrialists as energy supplies will remain tenuous. However, companies are more troubled by policy shortcomings; a tariff structure that [illegible] imports; free entry for manufactured goods supplied under aid programmes; processed foods brought in as part of the emergency relief programme and sold cheaply or even distributed freely; the smuggling of low-price goods from South Africa and Zimbabwe.

Given this kind of competition – and the threat of aggressively-priced imports from South Africa – establishing new industries and reviving existing ones is not going to be easy. Further substantial devaluation will help manufacturers who rely on domestic raw materials. However, tariff reforms and the treatment of donor-funded imports will also be needed.

Tony Hawkins

ENERGY: hydro-electricity potential lifts long-term prospects

Export plans shape future

ENERGY has been [illegible] much-troubled sector since independence.

Not only has repeated sabotage of the transmission lines prevented Mozambique from exporting electricity to South Africa, but it also played havoc with industry, especially in the Maputo area, last year. However, in a country that has greater hydro-electric potential than any other in Africa, the long-term prospects are exceptional.

It is not just electricity that is set to become a large export earner. Coal reserves in Tete province are estimated at more than 6bn tonnes.

Only the Moatize mine is currently being exploited with an annual output of less than 1m tonnes. The ambitious $1.5bn Moatize project – an open pit mine, a refurbished railway line to Beira and a coal export terminal at the port – could create export capacity of some 8m to 10m tonnes annually.

A joint feasibility study is under way by the Ministry of Mineral Resources, Lonrho and the Brazilian Companhia Vale do Rio Doce (CVRD). More recently, Trans-Natal Coal of South Africa agreed to participate. The study should be ready [illegible] the end of 1991 and exports of at least 5m tonnes a year are possible from 1995.

A project study by Bechtel, [illegible] US group, in 1973 of the Pande Natural gas field, has been revived. The original plan was for an investment by Anglo American in a project to pipe the gas to the Witwatersrand industrial area in South Africa.

Natural gas could be used to feed a fertiliser plant and to provide energy for industry in the Maputo area. Detailed exploration was disrupted by Renamo, but with two Portuguese groups showing interest along with Montedison of Italy, officials say the project could soon be given the go-ahead.

In the 16 years since independence five multinational oil companies have spent more than $60m on exploration but there have been no large finds.

Seismic surveys suggest that [illegible] country has the potential to be self-sufficient with a modest export surplus. The best prospects are the Rovuma Basin near the Tanzanian border, being investigated in a joint venture with Tanzania and off the Gaza coastline.

It is electricity that holds the key to substantial export earnings from energy. The Cabora-Bassa dam has a capacity of MW2,075 of which almost MW1,900 is earmarked for South African usage. The rehabilitation programme planned for 1990 will start this year as more than 1,500 pylons having been destroyed by Renamo.

New plans provide for a triangular grid feeding Zimbabwe as well as South Africa and Mozambique. Once security conditions permit, a new 350 km line costing $150m will be built to Zimbabwe.

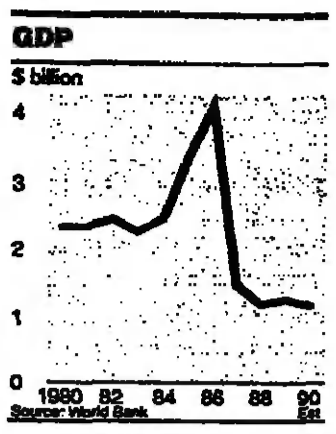
This development is only the tip of the iceberg.

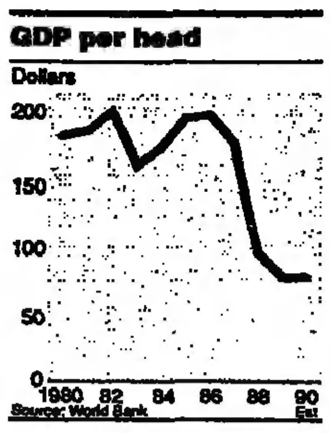
A 1981 study identified 13 additional projects along the Zambesi river, including phase two of Cabora Bassa, with an aggregate capacity of MW5,900. These projects which would take a generation or more to complete have the potential to transform the economy – through irrigation schemes at home, electricity exports and, of course, cheap energy for domestic industry.

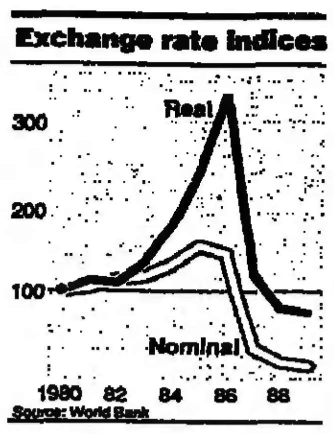
Tony Hawkins

Plans to revive one of the world's poorest economies rely on foreign aid. On this page, **Tony Hawkins** assesses the outlook

Donor policies face another African test







A SENSE of mission impossible surrounds the ambitious plans for economic recovery in Mozambique.

Will aid inflows of over $1bn a year turn around one of the world's poorest economies with a per capita income below $100, a scheduled debt-service ratio of 175 per cent and a current account deficit exceeding 50 per cent of gross domestic product.

Fortunately, there is no shortage of ideas and commitment, nor it seems, of aid.

At the Paris Consultative Group meeting last month, Mozambique was pledged the $1.2bn it needs to see it through 1991. For the rest of the decade, it is destined to be an economic laboratory experiment in which the strategies and ideology of the donor community, the World Bank and IMF will be on trial.

With a decade of African failure behind them, they desperately need success – proof that structural adjustment can work in Africa.

Given a peace settlement, Mozambique will provide evidence, one way or the other, of the viability and appropriateness of donor policy towards Africa.

The contrasts with many other African countries are striking; President Chissano is not only taking the reformist medicine but also buying the "good governance" solution. Unlike sub-Saharan governments, the Mozambicans are more concerned with making the policies work than justifying their failures and blaming the doctor.

Inevitably – in the light of the war, the collapse of administration and the state of the infrastructure – there is slippage. Some targets have been missed, but reform, political as well as economic, is pretty much on track.

Abandoned by its erstwhile East European and Russian allies, Mozambique had little option other than to submit to donor economic and political conditions. Having made that unpalatable decision, the Mozambicans are sticking by it.

The underlying strategy is three pronged: the agricultural sector; the establishment of an enabling environment and an assumption that substantial external finance will be available. It is agriculture, and specifically the family sector, that is the key to recovery.

It is also the sector where poverty is most acute and where the greatest gains can be made with limited amounts of investment. Investment in the transport and marketing infrastructure and the liberalisation of crop pricing with linkage to border parities are crucial. The reform of farm credit mechanisms, which presently bypass the peasant sector, is another important factor.

The second prong, establishing an enabling environment, involves rolling back the frontiers of the state and creating a viable private enterprise economy. The government that once espoused hardline Marxist-Leninism is privatising as fast as it can. Since 1987, the number of state farms has been reduced to 109 from 150 and the area farmed by the state is down to 90,000 hectares from 150,000.

Some 50 medium and large manufacturing enterprises and many more smaller ones have been privatised. Five management contracts have been signed with companies that will remain in state hands.

Banking is being restructured and new financial instruments developed. State concerns can no longer rely on state-owned banks to fund their losses. The foreign payments system is being liberalised by allowing Standard Totta, the sole privately-owned bank, to undertake more foreign currency transactions.

A second tier foreign exchange market was launched late last year allowing importers to buy foreign currency, paying 1,800 meticais for the dollar rather than official rate of 1,000. Import controls are being loosened with the creation of a non-administrative system of import allocation known as SNAAD.

SNAAD was established in September 1989, it handled only 3 per cent of total imports (about $30m) last year, but the government is asking donors to untie their aid programmes from specific projects, products and suppliers and channel the funds into SNAAD so that more imports can go on to open general licence.

Progress on the budgetary front has been considerable: the fiscal deficit is down to 10 per cent of GDP from more than 15 per cent five years ago. Domestic bank financing of the deficit has been slashed to 1 per cent from 12 per cent; subsidies are being phased out and public utility charges raised to realistic levels. Electricity and water tariffs were increased by 25 per cent to 65 per cent in 1989 and there was further 20 per cent rise last year.

The third prong is the assumption that substantial external finance will be available, at least for the rest of the 1990s. The foreign debt overhang is unsustainable and will have to be relieved by forgiveness and rescheduling. Mozambique's external debt has more than trebled in the last eight years reaching $4.6bn in 1989. Over the next three years, foreign financing requirement averages $1.2bn of which some $850m a year is needed to fund the current account deficit and the balance to repay loans. Debt relief of at least $250m a year is crucial to the plan's success.

Exports and service earnings collapsed from $450m in 1980, to only $185m in 1985. Last year they were estimated at $300m, compared with current account outgoings of $1.15bn and debt repayments of a further $300m, leaving an overall financing of nearly $1.2bn.

The port of Maputo is making its own efforts to reduce aid dependency by increasing exports. Although the metical has been devalued from 40 to the dollar in 1986 to 1,000, there are still large discrepancies with the second tier rate (1,800 to the dollar) and the parallel or black market rate (2,300). The medium-term plan is to narrow the gap between the first and second tiers, implying further large devaluations in 1991 and 1992. Competitiveness has improved – the real effective rate was down to 70 (1980 = 100) at the end of 1989 from 330 in 1986.

Exports are projected to grow twice as fast as imports – 17 per cent as against 7 per cent. In spite of this the import share in GDP will continue its inexorable rise to more than 72 per cent, and the current deficit will increase. Because reconstruction and growth are heavily import dependent, there is no viable alternative development strategy.

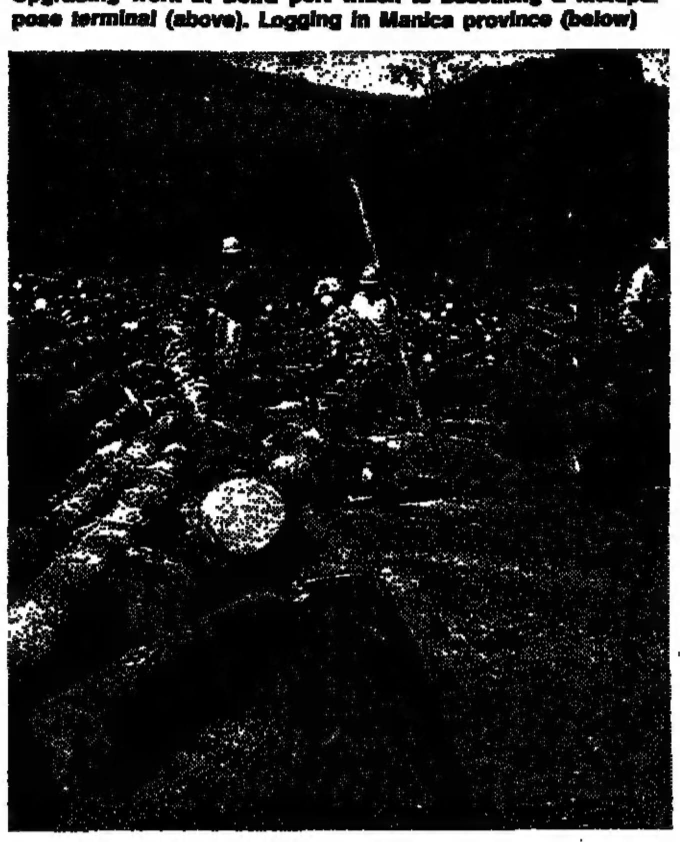
Devaluation helps little when the structural obstacles to export growth are so enormous. The best answer is lower inflation. This decreased from 160 per cent in 1987 but last year's 30 per cent was well above the 18 per cent target.

Economic growth is forecast at 6 per cent a year after a disappointing 3 per cent in 1990. Finance minister Mr Magid Osman worries that preoccupation with political problems will have adverse repercussions on the economy in 1991, but he believes that with a political settlement in South Africa, Mozambique's economy could grow at 10 per cent a year and exports increase fourfold to exceed $1bn by the turn of the century.

Export growth will come from mining, from the revival of traditional exports such as prawns, cashew, cotton and sugar, from energy and services, especially transport and tourism.

Given debt relief and renewed foreign investment and a modicum of luck, both politically and with commodity prices, the mission begins to look rather less impossible.

Upgrading work at Beira port which is becoming a multipurpose terminal (above). Logging in Manica province (below)



Aid accounts for 76% of GNP

Cash that keeps the ship afloat

IN THE words of a cynical businessman, it has become the "Donor's Republic of Mozambique." It is far and away the world's most aid-dependent economy with official development assistance (ODA) accounting for 76 per cent of gross national product in 1988-89 against a sub-Saharan average of 11 per cent.

Aid provides 80 per cent of foreign exchange inflows compared with 50 per cent for Tanzania, 25 per cent for Kenya and 11 per cent for Zimbabwe.

Comprehensive aid figures are hard to find. The World Bank puts aggregate external capital assistance since 1980 at $8.5bn, though so large were capital repayments that between 1984 and 1989 the net flow of medium and long-term capital was actually negative.

Italy has been the largest player with aid of $1bn over the last five years spread across some 500 projects, 40 of them completed. The Swedes are in second place with $125m and the US comes third with just over $100m. The donor contribution to humanitarian programmes, health and education, and food aid has been outstanding, but the nagging question remains: is it development?

On the strength of Mozambique's experience to date, the answer has to be no. Aid has focused, necessarily, on keeping people alive, keeping the ship of state afloat. Even so, at least 60 per cent of the population live in absolute poverty.

Between 1986 and 1989, net aid disbursements to Mozambique averaged $760m a year. but during the same period, GNP calculated in US dollars, actually fell. Part of the explanation, of course, aside from the obvious one of metical devaluation, is that much of the aid never sees Mozambique but is a book-keeping entry – such as debt relief.

More to the point is whether the aid flows are creating future productive capacity as, for example, in the case of transport corridor rehabilitation. Unfortunately, there is little evidence that when the aid bandwagon moves on it will leave behind it the technical, administrative and managerial skills to exploit the physical infrastructure created.

Nowhere in Africa is what the World Bank calls "the missing middle" – middle managers, privately-owned medium-scale enterprises – less in evidence. Without it, there is a very real danger that the gains from aid will be largely transitory.

Technical assistance accounts for 10 per cent of GNP, but it is far too soon to tell whether the transfer of skills is taking place on anything like the large scale required. Already there are complaints and evidence of "crowding out."

Duty free imports undercut local production; tied aid supplies force importers to use high-cost materials and spares. Access to aid is a disincentive to save, to export, or take risks with private capital. Why should a foreign company invest in Mozambique, when the World Bank or EC is prepared to make the capital available there?

Ironically, the demand for aid will increase with a peace agreement. There are 1.2m refugees and 1.75m people displaced within Mozambique to be resettled; no-go areas will be accessible once again and the rate of rehabilitation spending will accelerate. Over the next three years, Mozambique will need about $1.2bn a year to repay its debts and finance its current account deficit. Donors will be called upon to provide $500m annually in grants, $300m in loans and a further $300m in debt relief.

The reform of the banking system is proving a painful process

Market replaces the bureaucrats

THE banking system is in the throes of painful transition as the market gradually replaces the bureaucrats.

Before reform started, interest rates were kept low to encourage investment. The central bank had a monopoly over foreign exchange transactions, while the banking system propped up inefficient state enterprises and farms and financed the budget deficit. Savings mobilisation had a low priority.

The banking system, which contains just three banks, is dominated by the Bank of Mozambique (BM). It doubles as the country's chief commercial banks as well as the central bank and accounts for two-thirds of bank lending.

The development bank – Banco Popular Desenvolvimento (BPD) has 20 per cent of bank lending, while its farm-lending subsidiary, Caixa Credito Agraria de Desenvolvimento Rural (CCADR) has 9 per cent.

The country's sole privately-owned bank, Banco Standard Totta Mozambique (BSTM) – in which the Portuguese-based Banco Totta and Acores has a 40 per cent stake and Standard Chartered 35 per cent – has more than doubled its market share in the last two years to 7 per cent.

When the reform programme was launched in 1987, it was apparent that the banking system was a bottleneck. A first priority was restructuring the state-owned banks. In 1987, one-third of the Bank of Mozambique's lending took the form of non-performing loans to state enterprises, while in BPD's case the comparable figure was 28 per cent. Most of this has been taken over by the state or rescheduled.

Interest rates came next. Although they continue to be administered rather than market-determined, they have been raised to within hailing distance of the inflation rate. In foreign transactions, BSTM is being allowed to widen its foreign exchange range of customers and functions.

A second-tier foreign exchange market was opened late last year, though this remains in the hands of the BM. The commercial and official functions of the Bank of Mozambique are being separated. By mid-1992, the commercial arm will be independent of the central bank.

As with most transitions, the process is uneven and, at times, contradictory. Excess market liquidity, caused by the war, state loans to state enterprises and, more recently, counterpart funds – the meticais equivalent of aid inflows – is a serious problem and credit ceilings are used to curb credit growth. BSTM will not take new deposits, partly because it is flush with cash but also because it cannot expand lending by more than 20 per cent annually.

The present system is an uneasy compromise between market forces and direct controls. Thus, 90-day deposit rates of 27 per cent are set just below the estimated inflation rate of 30 per cent, while there is a three-tier system of lending rates.

Loans for priority activities, such as agriculture, agro-processing and electricity distribution range between 27 per cent and 31 per cent; mining, manufacturing, fishing and construction pay between 30 per cent and 35 per cent and low-priority activities such as distribution and services pay from 35 per cent to 42 per cent.

The family sector of peasant producers, seen as the key to rural revival, is starved of credit. Because they have no collateral, no formal accounting systems and because their assets are so vulnerable to destruction by the rebels, family farms remain outside the formal credit system. Less than 1 per cent of CCADR's loans go to such small-scale producers.

The solution – according to the World Bank – is an indirect one. Establish a viable retail network in rural areas that will sell to family farmers on credit terms. Unfortunately though, 42 per cent interest rates mean that retailers and peasant farmers cannot afford to buy or sell on credit.

Foreign capital is much sought after

UK heads equity inflow table

AS peace prospects brighten, foreign executives are adding Mozambique to the relatively short list of African countries worth a visit.

The country's stock of foreign capital is "guestimated" at some $1.2 bn, owned mainly by Portuguese, British and South African companies.

Since the mid-1980s, Mozambique has set its cap at foreign capital, introducing a foreign investment law, establishing a one-stop investment agency, phasing out controls and privatising state owned corporations. But progress is slow.

The Foreign Investment Promotion Office (GPIE) estimates new investment in foreign-controlled projects since 1985 at $318m. About 40 per cent of this represents "autonomous" or equity investment. Of this almost $100m is new foreign equity and the remainder of $28m is domestic equity invested by joint venture partners. The balance of 60 per cent ($190m) is mainly offshore loan capital.

Because of Lonrho's agricultural and mining activities, the UK heads the league table with 40 per cent of new equity inflows, followed by the US with 10 per cent. South Africa and The Netherlands have 9 per cent each, Portugal 6 per cent.

Invariably, the Portuguese are interested in reviving the businesses they owned before independence. Many of these were taken over by the state – the so-called intervened companies. South African investment is designed to open up new markets and exploit natural resource opportunities.

Investors can reckon on getting an answer from GPIE within three to six months of submitting an application. But the system, while a large improvement on what went before, is not without its flaws.

Its critics say the board is trying to do too much – seeking to invent new projects and find joint venture partners for foreign companies, rather than sticking to its narrow mandate of granting investment approvals. More serious is the complaint that the system of negotiating different investment agreements for each project inevitably means disparity of treatment for different investors. As a result, some feel they are getting a second class rate package, while the flexibility of such case-by-case approvals opens the door to backhanders and side payments.

Three activities dominate – agro-industrial projects, (such as Lourho's Lomaco development); turnround activities by Portuguese companies reviving intervened companies and service activities (computers, telecommunications, tourism) and business advisory services, in which the South Africans are prominent. GPIE statistics show that 40 per cent of the new foreign capital ($126m including loan funds) has gone into agribusiness, roughly a third into tourism and 18 per cent to mining, including oil and gas.

Because each agreement is negotiated individually, there is no standard incentive package. Typical agreements include a three- to five-year tax holiday, unfettered remittability of dividends; no withholding taxes; no curbs on the employment of expatriates; and access to foreign currency accounts thereby enabling companies to import freely. Expatriates are entitled to tax-free status and can hold foreign-currency bank accounts, not subject to exchange controls.

There is no requirement to share equity with Mozambique nationals but the government prefers joint ventures that ensure that domestic owners hold at least 20 per cent of the equity.

AGRICULTURE: a long wait to reap the harvest of peace

Wilting in the shadow of war

THE sad lessons of Mozambique's disastrous agricultural history since independence in 1975 are on display at a cotton and sisal estate at Namialo, in Nampula province, one of the country's richest agricultural areas.

"This is a museum to Soviet inefficiency and millions of dollars of wasted agricultural investment," said Mr Jose Ferreira Dos Santos, owner of Joao Ferreira Dos Santos, a diversified company. "If the Soviets were inefficient in running agriculture in Europe how could they not be in Africa?"

The car in which we were travelling had stopped briefly at a compound surrounded by high wire fence. Inside the rusting skeletons of Soviet made tractors, graders and combine harvesters lay abandoned – an expensive scrapmetal graveyard and a testament to years of agricultural folly.

The years since independence were marked by expensive capital intensive investment in inefficient state farms at the expense of providing infrastructure, services and foreign exchange for commercial and smallholder farmers; collectivisation of the peasantry into communal villages to work on state farms; application of inappropriate production technology; poor management; rigid state-determined pricing policies which discouraged smallholder production of export crops and marketing of surplus food crops and the impact of more than a decade of war which has displaced more than a third of the population and destroyed billions of dollars of infrastructure.

At Namialo the sisal plantations are overgrown with bush, many houses have been destroyed by rebel attacks, the hospital and schools are disused and decaying, the old sisal railway track is broken, most of the peasants around the estate who provided the bulk of the cotton have long deserted their land fleeing from bandits and the ginnery or cotton processing factory is in desperate need of rehabilitation. Production has ground to a halt.

It is a pattern repeated throughout the country. By 1985, cotton production was 9 per cent of its 1980 level, sugar 16 per cent, tea and cashew 30 per cent. According to the World Bank, between 1980 and 1986 the per capita production of the family sector of Cassava, Maize, Rice and Sorghum fell by between 25 and 45 per cent and the country became heavily dependent on external aid for food.

Although the war continues making agricultural recovery impossible many of the catastrophic policies implemented in the heady early days of independence have been abandoned, some in the early 1980s, and the Economic Recovery Programme is focused on the resuscitation of agriculture.

There is widespread recognition that future growth will depend on agriculture which contributes 40-50 per cent of gross domestic product, provides employment for 80 per cent of the population and contributes 80 per cent of export earnings.

Displaced workers in Zambezia province

Agricultural potential is good with fertile soils, normally adequate rainfall, vast swathes of unoccupied land which could be cultivated, and surface water resources which could irrigate 2m hectares of land. (Only 90,000 hectares of land is currently under irrigation.)

The main shift of the ERP has been to redirect government energy away from state farms towards the private smallholder and commercial farmers in an effort to increase domestic food production and increase exports.

The number of state farms has been reduced from 150 in 1986 to 109 in 1989, their assets broken up and distributed or transferred to the private sector. A number of agricultural joint ventures have been signed recently such as the estate at Namialo where Mr Joao Ferreira Dos Santos has moved back this year with full management autonomy and planted 14,000 tonnes of seed cotton.

Joint venture partners, especially in the cotton sub-sector, are providing the foreign exchange and management needed to restore exports. Lonrho (through Lomarco its joint venture with the government) has made the largest investments producing about 20,000 tonnes of cotton and 8,000 tonnes of tomatoes last year. But security costs, to pay for large private militias to guard estates, are estimated to be 15-20 per cent of the costs of production.

The real challenge is in reviving smallholder agriculture – the so called family sector – which traditionally accounted for 90 per cent of cashew production, and more than 50 per cent per cent of cotton, livestock, and copra and most of food crop production.

Much progress has been made on producer incentives. Cashew, cotton and copra and maize have been moved from a fixed price system to a minimum price system. Prices paid for export crops have been increased although they remain undervalued at a level of about 50 per cent of international prices. Producer prices for domestic food crops have been increased at nearer 80 per cent of international prices.

Consumer goods have been slowly reaching rural traders and stores providing better non-price incentives for production. Some imported goods are specifically targeted to coincide with cashew nut and cotton harvesting. Less progress has been made on vital rehabilitation of destroyed and decayed social and economic rural infrastructure.

Without a large rehabilitation of infrastructure and increased security it is recognised that Agricom, the state trading company which handles about 30 per cent of marketed production, will have to continue its role as the buyer of last resort until private traders can be encouraged to reach all areas. Results have been mixed. Agriculture production grew at 7 per cent in 1987 and 1988 but, with poor weather, dropped to 2-3 per cent in 1989.

Production of food crops is difficult to estimate due to the destroyed marketing system and the tendency of peasants to keep surplus production for storage or barter but maize production is believed to have risen 32 per cent between 1987-89.

Last year, marketed maize production was estimated at 78,437 tonnes, its highest level since 1984. However, aid still contributes more than 80 per cent of Mozambique's total grain supply. For 1991, the government is asking donors to provide total food aid of 1.04m tonnes – 65 per cent for the market sector.

On the export side between 1986-89, cotton production increased 192 per cent, cashew 26 per cent and sisal production increased 40 per cent on 1985 levels. Less success has been recorded in copra, tea, and sugar. In 1989, no leading export crop was producing a half of 1980 levels.

Since 1987, government policy towards the agriculture sector has come a long way. On the policy front, continued success will depend on maintaining price and non-price incentives to producers, developing agricultural extension services and rural infrastructure and continuing the commercialisation of the state sector.

If the war continues at its present level there will be modest gains. If a peace agreement is concluded progress will follow quickly. While providing seeds and tools to peasant farmers will prove a big constraint, getting people back to the land and having secure roads and railways will be a revolutionary event. Greater security will encourage increased investment in agro-industry. Agriculturalists predict that with peace Mozambique will become self sufficient in food within two or three harvests and export crops will take off.

Julian Ozanne

Julian Ozanne looks at the rehabilitation of the cashew sector

Project to combat neglect

THE cashew sector, like the rest of agriculture, has suffered badly as a result of misconceived policies and the war. However, a large effort is under way to rehabilitate the crop.

Mozambique was once the world's king of cashew, producing 216,000 tonnes from 60m trees in 1972. In that year, the country exported 69,500 tonnes of raw nuts and 25,400 tonnes of processed kernels.

By 1983, a nadir was reached when marketed production slumped to 18,000 tonnes. Since then, cashew nut production has increased slowly and reached about 50,000 tonnes in 1989, as a result of better producer prices and availability of consumer goods. Cashew contributed $18.9m in 1989 to total export earnings of $101.1m.

However, production slumped again in 1990 to 22,200 tonnes as a result of very poor weather conditions, according to Mr Juliano Saranga, the secretary of state for cashew.

The World Bank recently agreed funding for a Special Drawing Right of $16.8m for a cashew project for Gaza and Inhambane provinces which, it says, is the first phase of a long-term programme to rehabilitate the sector.

The project will compliment rehabilitation work under way in Nampula province funded by Denmark and the African Development Bank.

Mozambique was once the king of cashew

Cashew traditionally has been a smallholder crop providing a cash income to a half of Mozambique farmers who produced 90 per cent of total production intercroping cashew with staples such as maize, cassava and cow peas.

State controlled prices and an absence of consumer goods in rural stores encouraged small cashew farmers to eat their nuts or barter them for goods rather than sell them to the factories. The war destroyed the transport and marketing infrastructure and forced farmers to abandon their trees. Disease and pests moved in when the farmers quit their trees and many nuts have been left uncollected because of the war.

Cashew production remains constrained by the war and the long-term effect of sustained neglect – ageing trees, poor husbandry, lack of new plantings, extension services and research, and incessant bushfires. Yields are estimated to be as low as between 1 kg and 1.5 kg a tree. Annual average yields should be between 6 kg and 10 kg per tree with proper agrotechniques.

The World Bank project will concentrate on renovation of orchards, upgrading of agricultural services, provision of investment credit to commercial farmers and traders, improving the institutional capacity of government bodies in the cashew sector, training and rehabilitation of the processing industry. The projects are expected to lift export earnings by $12m.

Of Mozambique's 14 factories, which have an installed capacity of 150,000 tonnes, only eight are operating, two of which are in private hands. Present capacity is about 80,000 tonnes.

The government is committed to commercialisation of the cashew sector. State owned factories are to become autonomous entities and joint ventures are being encouraged. According to Mr Saranga, Anglo-American is negotiating a deal for two of the six state owned factories. "Management in the state sector is the major problem," he admits.

THE PRAWN INDUSTRY

Rare success for the state

SINCE 1982, prawns have been the number one foreign exchange earner regularly bringing in about $40m-$50m. In 1989, the prawn industry earned the country $39.4m out of total foreign exchange earnings of $101.1m.

Mozambique's fishing fleet is small, much of it inherited from Portuguese colonialists who fled the nation at independence in 1975. But joint venture and licensing agreements with Japanese, Soviet, South African and Spanish companies have proved remarkably successful in capitalising on the fishing resources of Mozambique.

Sound marketing strategies have been adopted in Europe (mostly Spain, Italy and France), Japan and South Africa. Pescom, a government owned company which has marketed much of Mozambique's prawn production, has proved one of the rare successes of state enterprise.

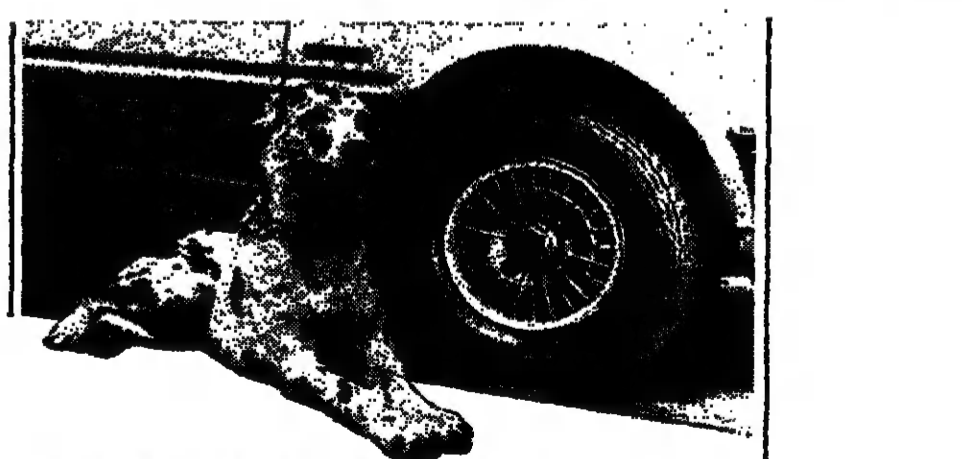
The prawn industry has been relatively insulated from the effects of the war although shortages of petroleum and power cuts have hurt the sector.

However, there are signs that the shallow-water prawn resources may be over-exploited and stocks of deep water prawn, lobster and crab are unknown. Last year, the government again placed a ban on the fishing of prawns from December 1 to January 31 in order to allow stocks to recover and increase. The targeted prawn catch for this year has been fixed at 7,500 tons, slightly less than that set for 1990. The industry is also facing increased competition from farmed prawns in Asia.

Foreign investment is being encouraged in the fishing sector, particularly in areas other than prawn. Good resources of crab, lobster, scad, mackerel, anchovy, sardine and tuna are believed to exist. But sea bream, grouper, octopus, oyster, snapper and mussel resources, mostly in northern fishing zones, remain particularly under exploited.

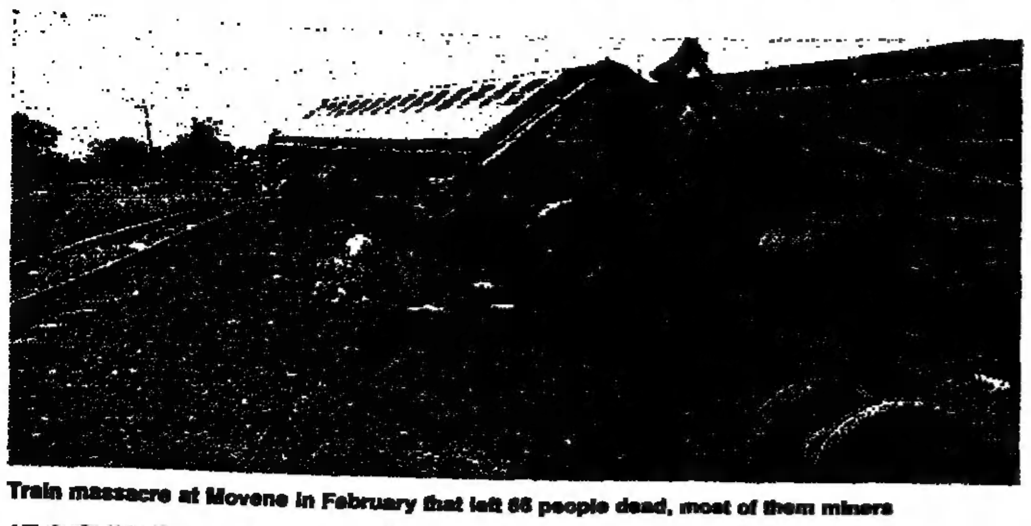
Partnerships are being invited for Mozambique's two fish canneries in Beira and Maputo which remain under supplied with raw material and trying to develop export potential in crab, clams and other molluscs.

Julian Ozanne



Julian Ozanne examines the attempts to renovate the railways and ports

Ceasefires unlock transit route doors



Train massacre at Movene in February that left 66 people dead, most of them miners

AT A shattered and oil-stained railway workshop in Nampula, the hub of Mozambique's northern Nacala line, mechanics work on engines riddled by bullet holes and bent by fires that were started by rebel saboteurs.

The wreckages of several engines litter the forecourt. Many will never see service again, they will be cannibalised for spare parts and abandonned.

Mozambique's railways, which provide vital access to its Indian Ocean ports for several land-locked African countries, have been the target of rebel attack over the last decade leaving the network almost destroyed.

By 1988, the Nacala line, which serves land-locked Malawi, was moving 12 per cent of the tonnage it moved in 1980, the Beira line serving Zimbabwe and Zambia was down to 32 per cent of 1980 levels and the southern lines connecting Maputo port with South Africa, Swaziland and Zimbabwe were handling 38 per cent of the traffic levels of 1980.

Two sources of transit trade have closed down either due to insecurity or maintenance – the Limpopo line targeted to attract traffic from southern Zimbabwe to Maputo and traffic from Malawi to the excellent deep water port of Nacala.

Total cargo handled by Mozambique's ports and railways fell to 4m tonnes in 1988 from 20m tonnes in 1973. Foreign exchange earnings to Mozambique from its ports and railways, which traditionally plugged the trade deficit in the balance of payments before independence, dropped from $112m in 1981 to $12.8m in 1986.

However, for the first time in a decade hopes are high that Mozambique will be able to recapture its role as an important transit route for regional trade.

A ceasefire for the Beira and Limpopo corridors was agreed in December between the government and Renamo, the rebel movement.

Under the accord Zimbabwean troops protecting the corridors from rebel attacks and sabotage are to be restricted to the corridors in return for a rebel promise not to attack the infrastructure.

The Nacala corridor has been almost completely free of attacks for 18 months, apparently the result of an unofficial agreement, and has been open for Malawi traffic for almost 12 months.

The important Goba and Ressano Garcia lines into Swaziland and South Africa are not covered by any agreement.

However, if the ceasefire accord holds up, greater security for the other corridors will allow faster services and the completion of maintenance and rehabilitation work which may help to win back the confidence of nervous state companies and businessmen in Zimbabwe, Malawi and Zambia.

The prospects for increased security come at a time when large infrastructure renovation projects have made significant progress. On the Limpopo line, a $130m project for a 534 km single line track from Maputo to Zimbabwe which has been closed since 1984, should be complete within the next 18 months.

Rerailing and resleepering work on 321 km of track has been completed southwards from Chicualacuala, on the border, to Chokwe.

Another team working north from Maputo with concrete sleepers and continuous welded track has completed 110 km, leaving just another 100 km to be completed to link Chokwe.

The line is being used for internal commercial traffic but so far no train service has been established to Zimbabwe.

Donors, particularly the British government which has supported the project to the tune of £29m, are pressing CFM, the state-owned railway company, to open a service. This may begin with one train a week to demonstrate the viability of the line and win back much needed confidence in Mozambique.

Work on the Nacala line by a French-Portuguese consortium, which was suspended in 1988 due to insecurity, is to start imminently rehabilitating the 380 km line from Nampula to Cuamba with concrete sleepers and continuous welded track.

A minimal service of one or two every fortnight started operating last year allowing Malawian cargo to reach Nacala.

There are signs that the previous imbalance between imports and exports is being closed, reflecting higher confidence in Malawi about the security of the line.

Substantial renovation and upgrading work has been completed on the $700m Beira corridor programme increasing cargo handling figures, especially from Zimbabwe.

Total traffic has increased from about 1m tonnes in 1986 to 2.5m tonnes last year and work on dredging the 25 km channel has been completed to allow 60,000 ton vessels to use the port.

Rebuilding Beira's 11 berths is expected to be finished by the end of this year and construction of a new oil terminal is to start soon.

Japan, Canada, France and the US have also pledged more than 20 locomotives for delivery over the next three years.

Many of the projects in Mozambique's transport sector have been the result of initiatives launched by the South African Development Co-ordination Conference aimed at reducing the region's dependence on South Africa. With political changes looming in South Africa that strategy is being reconsidered.

Furthermore, their are worries about competition from a more respectable South Africa with more efficient ports and shipping operations.

This is being seriously considered given the inefficient state of management and software at Mozambique's ports.

However, the chances of attracting high value cargo will depend on a much smoother operation and better management at the ports.

BUSINESS GUIDE

City returns to life

FEW capitals in Africa have been through such an ordeal of economic devastation and war-induced decay as Maputo, the Indian Ocean capital of Mozambique built by the Portuguese colonialists as a Mediterranean-style resort city.

In spite of all the traumas of the past 15 years Mozambicans have maintained their pride in the cosmopolitan capital and now, with economic reform and the beginings of new foreign investment, life is returning to the city.

Among the most optimistic signs of renovation in Maputo are the extensive refurbishment programmes due to be completed this year of the Polana (tel 491001-7, tlx 6278), a magnificent white washed seaside hotel built in the style of the 1920s De Luxe hotels on the riviera, the Cardoso (tel 74107, tlx 6327) and the Moçambicana.

All three hotels are privately owned and are being rehabilitated and managed by foreign investors – the Polana, at a cost of R27m, by the South African Karos group, the Cardoso by the Lonrho conglomerate and the Moçambicana by the South African Protea group. Other decent hotels are the Andalucia (tel 23051, tx 6426) and the Tivoli (tel 22005, tx 6297) and in Beira go to the Dom Carlos (tel 711158).

Doing business can be difficult but help and advise can be obtained.

The government's GIPE, foreign investment promotion office, (tel 742173, 422459 tx 6650) is in charge of facilitating and improving all new projects. A private consulting company, SARL (tel 33456, tx 6762) can also aid foreign investors and find local partners for joint venture companies. SARL publishes a fortnightly business newsletter called Mozambique Opportunities.

In agriculture, SAFI (tel 492043) and SCPI would be useful. Other important contacts are the Chamber of Commerce (tel 741970, 491970 tx 6495), UCPI, commodity import programme co-ordinators (tel 420979, 491145) and AIMO, association of Mozambican industries (tel 424659 tx 6220).

Other useful contacts; Ministries: Finance (25071), Commerce (420171), Agriculture (460014), Mineral Resources (424031), Secretary of State for Fisheries (34345), Transport (30121), Industry (31029), Co-operation (490672).

Banks: Banco de Mozambique – Central Bank (424620, tx 6240), Banco Standard Totta – the only private bank (428107, tx 6223), Banco Popular de Desenvolvimento (428882, tx 6250).

Diplomatic Missions: UK (420111-7, tx 6265), US (492794, tx 6143), Germany (742286 tx 6489), France (tel 743444 tx 6307), Portugal (744142, tx 6341), European Community (490266, tx 6146), South African Trade Mission (741404).

Transport: taxis have been scarce in Maputo but a fleet of 400 Peugeot 405 taxis are due for Maputo, Beira and Nampula this year. Cars can be rented from Interfranca (490621), Hertz (491001) and Avis (465140). For internal flights LAM (733141), the national air carrier, runs a regular but often disrupted, service. A recently established excellent private charter company Nat Air (491811, tx 6763) joins other charter companies TTA (465015), LAM (465034) and LOMARCO (428260).

Freight and Shipping: Manica (423080), Mocargo (430859), Navique (423118), Navinter (430983).

Restaurants: increasing business has brought better restaurants such as the Sheik (490197) and Mini-Golf (490282) which have fun discos, Costa do Sol (455115) for prawns and seafood, Maritimo (741345) for weekend lunchtime barbecues and several superb Chinese restaurants.

Boats can be hired at Clube Naval (492121). Other excursions can be booked through Empresa Nacional de Turismo (425011).

Julian Ozanne

KEY FACTS

Area	799,380 sq km
Population	15.3m
Head of State	Pres. Joaquim Alberto Chissano
Currency	100 centavos = 1 metical
Exch Rate (year end)	1,044.64 meticals/$

ECONOMY	1989	1990
Total GDP ($bn)	1.3	1.2
Real GNP growth (%)	4.0	5.6
GDP per capita ($)	80	80
Exports ($m)	+101	+120
Imports ($m)	-775	-870
Trade Balance ($m)	-674	-750
Service earnings ($m)	+156	+180
Outflows ($m)	-224	-280
Current Account Balance ($m)	-752	-850
Capital Account ($m)	+355	+350
Overall Deficit ($m)	-395	-500
Trade Dependency* (%)	67.4	82.5
Inflation (%)	42.1	NA
Debt	1987	1988
Total debt as % of GNP	344.4	436.0
Debt Service as % of Exports	22.6	31.6
Net Flows* ($m)	395	133
Education	1985	1987
% enrolled in primary	87	68
% enrolled in secondary	3	5
% enrolled in tertiary	0	0

* Exports plus imports as % of GNP
* Net Transfers are net debt disbursements minus principal and debt service repayments

Source: IMF, World Bank, Economist Intelligence Unit

MINING

Schemes to tap export potential

MINING, never a big player in the Mozambique economy, is increasingly believed to have exciting potential in a post-war environment. Some of the leading projects on the drawing boards could transform the country's export profile by the turn of the century.

At independence there were some 10 small producing mines. The Moatize coal mine, with 500,000 tonnes annual output, was easily the largest. Tantalum was the only other significant mineral being exploited and mining's contribution to gross domestic product was never more than 1 per cent.

Post-independence strategy focused on geological exploration and the re-evaluation of the existing mines. As the war worsened in the 1980s, exploration was cut back and the mines and their supporting infrastructure were destroyed. Output fell 80 per cent between 1981 and 1985 but has since rebounded – production trebled in 1987/8 but remained 30 per cent below its 1981 peak.

Tax incentives, privatisation and a new state-owned mining development company – Companhia de Desenvolvimento Mineral which will hold the government's mining investments – are the chosen vehicles for reviving the industry. Two small companies, a copper producer and the bentonite mine – have been privatised.

Mozambique has the world's largest known reserves of tantalum. In 1986, production of some 75 tonnes was halted when the mines were seriously damaged in rebel attacks. It will cost $30m to revive them and expand output to 150 tonnes a year by 1992.

New development is spearheaded by two projects to exploit heavy black sands deposits.

Johannesburg Consolidated Investments has taken up an option from the Irish Kenmare group to develop the $103m Congolone project near Angoche in the north. A feasibility study suggested that the project could earn $44m a year from exploiting ilmenite deposits used in paint production and refractories. Edlow Resources, a US company, has a 27-year concession to develop titanium-bearing sand deposits that could justify a $450m investment.

According to the Washington-based Gold Institute, Mozambique and Botswana will be the world's fastest growing gold producers in the 1990s, albeit from a tiny base. Mozambique's production is projected to quadruple from 10,000 ounces in 1990 to 40,000 ounces by 1993. More than $12m, including infrastructure investment, has been spent on Lonrho's alluvial gold mine at Manica, which came on stream last year.

Rockwood Holdings and Cluff Resources, both based in the UK, have 40 per cent stakes in investigating diatomite deposits near Maputo, and over $3m has been spent on modernising the Italian-owned marble plant in Cabo Delgado.

By the mid-1990s, these projects could have an export capacity well above $100m – effectively double the country's 1990 exports.

Tony Hawkins